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FINANCIAL TIMES

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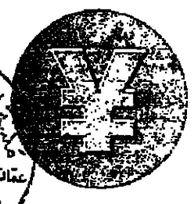
Start the week with...



Kodak

Can you boost morale while downsizing?

Management, Page 10



The yen

Reserve currency role promoted

Economics Notebook, Page 8



Climate change

Washington meeting key to success in Kyoto

Page 5

WORLD NEWS

Poland faces big bill to bring water supply to EU standard

Poland could have to spend up to $40bn to bring its water supply and treatment systems up to European Union standards, a study suggests. The issue is likely to prove one of the most difficult to resolve at Poland's accession talks with the EU. Page 18

Critics round on Netanyahu Israeli prime minister Benjamin Netanyahu faces growing criticism over the recent botched attempt to assassinate an Islamist leader in Jordan, allegedly by Israeli agents. Page 4

Nato considers Bosnia options Nato officials are working on options for a continuing international military presence in Bosnia after the mandate of the 36,000-strong Stabilisation Force expires next June. Page 2. Editorial Comment, Page 17

German wage restraint row Oskar Lafontaine, leader of Germany's opposition Social Democrats, came under fire from the centre-right government for backing trade union demands for an end to wage restraint. Page 2

Italian Communists offer deal Italy's embattled centre-left government looked more likely to win a reprieve after the leader of the hardline Communists offered a one-year pact with prime minister Romano Prodi. Page 2

Blaze ship towed towards port The Cyprus-registered cruise liner Romantica, which caught fire off Cyprus, was towed towards port after the blaze which forced evacuation of its 700 passengers. Page 2

Strong challenge to Milosevic Slobodan Milosevic, the federal Yugoslav president, faced a strong challenge in presidential elections in the republics of Serbia and Montenegro. Page 2

French union demands rise Marc Blondel, leader of France's powerful Force Ouvrière trade union, stepped up pressure on the Socialist-led government by calling for a higher minimum wage. Page 2

Basques on trial The trial begins today in the Spanish Supreme Court of all 23 national committee members of the radical Basque party Herri Batasuna (Popular Unity). Page 2

Austrian letter bomb arrest Austrian police believe they have caught the man responsible for more than 20 racist letter-bomb attacks over the last four years. A man was arrested after a bomb he was carrying blew up. Page 2

Australian reshuffle Australian prime minister John Howard announced big changes to his government after a parliamentary travel allowances scandal that forced three ministers from office. Page 2

Torn photo stops work A torn newspaper photograph of North Korea's "Dear Leader" Kim Jong-Il has halted work on nuclear reactors in a country where even folding a newspaper picture of Mr Kim is seen as desecration. Page 3

US political donations bill: A legislative attempt to limit US political donations from big contributors faces a critical vote this week that could kill it. Page 5

Peintre Célèbre wins Peintre Célèbre, ridden by Olivier Peslier, won the Prix de l'Arc de Triomphe at Longchamp, Paris. It earned a fourth Prix de l'Arc de Triomphe for owner Daniel Wildenstein and trainer André Fabre.

BUSINESS NEWS

Swedish tanker group says takeover bid by Frontline failed

ICB Shipping, Swedish tanker operator, is expected to claim victory in its takeover battle with Frontline, Bermuda-based shipping group which launched a hostile Skr3.22bn ($424m) bid for the company. Page 19

Imperial Chemical Industries, UK chemicals company, expects clearance for the sale of its polyester and European titanium dioxide businesses to US group DuPont. Page 20

T&N, UK automotive engineer, is to continue talks with Federal-Mogul and other international car parts groups today – 10 days after Federal-Mogul's £1.25bn ($2.02bn) takeover approach became public. Page 20

France Telecom shares will today be given a definitive price amid signs of keen interest in the telecoms operator's initial public offering. Page 21

Barclays, UK-based bank, expects to remain a key player in the world's capital markets after the sale of much of its investment bank, BZW. Page 19; Editorial Comment, Page 17

Apax Partners, London-based international private equity group, plans to devote $200m of a new fund to early-stage investments mainly in European technology companies. Page 20

Mercedes-Benz, German executive carmaker, may turn Smart, brand name of the mini-car it developed with Switzerland's SMH watches, into the group's "second brand". Page 19

National Parking Corporation, UK car parks group, plans a move into Europe which could double the company's size. Page 19; Towards expansion, Page 20

Casino's founding Guichard family decided to keep rival bidders for the French retailer guessing for at least another week. Page 21

Whirlpool, biggest US domestic appliance maker, plans to globalise production of its European-style microwave ovens as part of a plan to challenge Asian suppliers' dominance. Page 18

China faces an annual shortage of 100m tonnes of iron ore and will need to import vast quantities of copper by 2000, official figures show. Page 3

World steel consumption will rise 4.5 per cent this year to a record 695m tonnes, fuelled by strong economic growth, notably in Latin America, a report says. Page 5

MCI Communications, US target of the largest takeover yet, is expected this week to respond to the $30bn bid from telecoms group WorldCom. Page 21

PepsiCo forged an alliance with Japanese drinks company Suntory aimed at reinforcing its position in the highly competitive Japanese market, which is dominated by Coca-Cola. Page 21

Bombay-based NSE, India's biggest stock exchange, is expected to be closed at least until Thursday after the failure of Insat-2D, India's newest communications satellite, upon which it depends. Page 18

Staveley Industries, UK industrial group, is to merge its facilities services companies to create a single company with an £80m ($129.6m) turnover. Page 20

State Street Research, US mutual fund company, is to set up a division to manage portfolios for professional athletes. Page 19

Italian government to sell its entire state telecoms stake

Treasury stays alert to political turbulence

By Paul Betts in Milan

The Italian government gave the go-ahead at the weekend to the sale of its entire stake in Telecom Italia, in spite of the looming threat of a political crisis over its 1998 budget.

Mario Draghi, the Treasury's director-general, said his department had discussed the political situation with its privatisation advisers and decided to proceed with the sale of the government's remaining 32.8 per cent in Telecom Italia, the world's fifth-biggest telecommunications operator.

At current market prices, the offer would raise L16,467bn ($9.6bn), making it the largest secondary equity offering ever undertaken in Europe. Last November's DM20bn ($11.2bn) sale of Deutsche Telekom shares by the German government was a primary issue.

Mr Draghi said the Treasury would continue monitoring political developments. "Of course, if we should see a major collapse in the whole market, then the government would have to evaluate the situation," he said.

There were frantic efforts at the weekend by the political parties to head off a full-blown crisis which threatens the country's efforts to join European monetary union in 1999.

Romano Prodi, prime minister, is to hold talks today with Fausto Bertinotti, leader of the Reconstructed Communist party, in a last-ditch attempt to head off a crisis before a crucial parliamentary debate tomorrow, which will ultimately decide if his government falls. The government relies on the RC's support for its majority in parliament and has been thrown into turmoil by the RC's threat to vote against the government's austere 1998 budget.

The Treasury believes the Telecom Italia flotation will ride through the political storm because it has been structured to offer investors a first-year yield of 13 per cent through price discounts and bonus share entitlements. This is on top of the company's normal dividend payout.

Although Telecom Italia shares fell more than 5 per cent in three days last week to close last Friday at L10,978, the share price has gained more than 134 per cent during the past 12 months, strongly outperforming the Milan bourse. Mr Draghi also said that, as the state was withdrawing from Telecom Italia, "political events should not have an impact".

The offer, expected to raise more than the total of all other European telecoms offerings this year, involves 1.5bn shares representing 28.5 per cent of the company's share capital.

A further 225m shares have been reserved for the so-called "greenshoe" – or underwriters' option – to acquire additional shares, and 150m shares have been reserved to fulfil the bonus

Continued on Page 18

Communists offer Prodi pact, Page 2; France Telecom to be priced today, Page 21; Markets, Page 22



Hundreds of thousands of men from all over the US gathered on the Washington Mall on Saturday for a mass rally of the Promise Keepers, a fast-growing Christian fundamentalist movement dedicated to making men better husbands and fathers Picture: Reuters

Eyes on south-east Asia as currencies face more turbulence

By James Kynge in Kuala Lumpur, Sander Thoenes in Jakarta and Ted Bardacke in Bangkok

South-east Asian currencies are set for another turbulent week as a confluence of political and economic concerns weigh heavily on financial market sentiment.

The focus of regional jitters last week shifted from Thailand and Malaysia to Indonesia. The rupiah slumped to Rp3,120 to the US dollar on Friday, losing 14 per cent of its value on the week. The stock market's main index plunged by 4 per cent on Friday.

Fears in Jakarta centre on the possibility that high interest rates – which are required to defend the rupiah – may precipitate a crisis which would savage many of the country's small and poorly capitalised banks.

The rupiah's steep decline last week also unmasked concern that many large Indonesian companies may have borrowed overseas more heavily than previously believed. Late last week some of these companies were searching urgently in a thin market for US dollars with which to service foreign loans, a number of which are apparently unhedged, observers said.

Further weakness in the rupiah, which has fallen by 34 per cent since July 1, could push one or more large conglomerates into severe financial straits.

Thailand, the original epicentre of south-east Asia's financial tremor, has been relatively calm of late. However, that reflects not so much a return of confidence as a suspension of foreboding.

Sentiment will be tested when Chavalit Yongchaiyudh, Thailand's prime minister, visits Japan on Wednesday to try to secure Japanese banks' agreement to roll over debts owed by Thailand's private sector.

Many economists believe that the Japanese are unimpressed by his progress pushing through painful but necessary economic reforms. Doubts also attend a scheduled announcement on October 15 about the restructuring of Thailand's financial sector.

Malaysia, which has suffered a 25 per cent depreciation in the ringgit since July 1, remains unpredictable. The anti-foreign, anti-free-market rhetoric of Mahathir Mohamad, prime minister, has the power to touch off a domino-effect in regional currency depreciations.

Most economists believe, however, that Kuala Lumpur is unlikely to further curb free-market mechanisms or ban currency trading even though Dr Mahathir regards it as "immoral". Stock market investors are hoping that the more moderate stance adopted by Anwar Ibrahim, deputy prime minister and finance minister, will prevail.

Many hope Mr Anwar will announce a budget this month aimed at slowing growth, boosting savings and tax revenues, and eliminating a shortfall between savings and investment which economists regard as the clearest indicator that Malaysia has been spending beyond its means.

Currencies, Page 25

Whirlpool to challenge Asian suppliers in microwave sector

By Peter Marsh

Whirlpool, the US's biggest domestic appliance maker, is planning to produce and sell its European-designed microwave ovens worldwide as part of a plan to challenge the dominance of Asian suppliers.

The company is introducing to plants in China and Brazil the technology used to make a novel type of oven designed at its main microwave facility in Norrköping, Sweden.

Although selling at higher prices than most ovens, the Whirlpool machine is said to spread heat more evenly. This makes it possible to fry eggs or crisp bacon without causing the food to shrivel or explode.

Whirlpool is the world's fifth-biggest maker by volume of microwaves, behind Sharp and Matsushita of Japan and Samsung and LG of Korea.

It hopes that with the new production strategy it will move to third position, improving its 10 per cent market share. World retail sales of microwaves are estimated at some $4.5bn a year.

The plans underline how multinationals are using concepts pioneered in the car industry to make "world products" from concepts designed initially for a single region. Other industries similarly globalising products based on a specific design or "platform" – with small changes to suit consumers in particular countries – include the tractor and washing machine sectors.

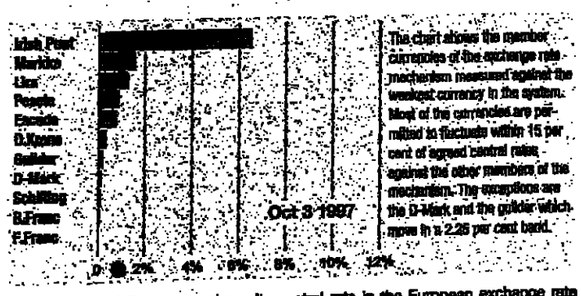
Whirlpool makes about 2.5m microwaves a year, roughly half in Norrköping and the rest in a plant in Shunde, China. It operates the Chinese factory as the majority shareholder in a joint venture with Shell Manufacturing, a Hong Kong consumer goods supplier.

While the company is increasing production in China of the new European-designed microwaves, it is also building a plant in Manaus, Brazil, which will start production next year.

Both plants are geared to supplying the fast-expanding Asian and Latin American markets – where microwave sales are in some countries expanding at over 10 per cent a year. Asia

Continued on Page 18

EMS: Grid



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

The Irish punt, 6.5 per cent above its central rate in the European exchange rate mechanism, may enter monetary union at a parity above its existing central rate. Currencies, Page 25

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Inside

COMMENT & ANALYSIS
- Dow futures contract — Nikki Tait, Page 16
- Bosnia after SFOR — Comment, Page 17

THIS WEEK
- Inquiry into Belgian serial killers — Dateline, Page 8
- Werner Seifert of Deutsche Börse — Profile, Page 8

MANAGEMENT
- Downsizing at Kodak — Richard Waters, Page 10
- Business hostility — Lucy Kellaway, Page 10

BUSINESS EDUCATION
- Boardroom to classroom — Della Bradshaw, Page 11

MARKETING & MEDIA
- Creativity in advertising — Winston Fletcher, Page 12

TRAVEL
- Chicago buzzes to the blues — Scheherazade Daneshkhu, Page 14
- Cover against smog — Roger Bray, Page 14



Werner Seifert: seeks a worldwide 'virtual' stock exchange

9 770174 736111 41

International 2-6 Management 10 Arts 15 Letters 16 Companies 20,21 Currencies 25 Bonds 24 World Equities 31-33



Italian PM to hold talks with Bertinotti in attempt to resolve conflict over budget

Communists offer Prodi one-year pact

By Paul Betts in Milan

The prospects of a reprieve for Italy's embattled centre-left government appeared to improve slightly yesterday after the leader of the hard-line Communists offered a one-year pact to Romano Prodi, the prime minister.

Mr Prodi will hold talks today with Fausto Bertinotti, the leader of the Reconstructed Communism (RC) party, in what many regard as a final effort to avert a political crisis before a parliamentary debate tomorrow.

Mr Bertinotti sparked the crisis by threatening to vote against the government's 1998 budget, but softened his language in an interview published yesterday.

"This situation serves no one's interests," he told the newspaper La Stampa.

"We want to give a reply from the left to this problem of stability. Our reply is a one-year pact."

Mr Bertinotti did not spell out his exact terms, but Mr Prodi relies on RC's support for its majority in the lower house of parliament. RC opposes the 1998 budget on the grounds that it contains unacceptable cuts to the Italian pension system as well as a lack of sufficiently robust job-creation measures.

A first step to try to resolve the conflict was made on Friday when Italy and France agreed at their Franco-Italian summit in Chambery to work towards the introduction of a shorter working week. The Italian government also announced an additional L4,000bn ($2.3bn) package to fund job creation. One of Mr Bertinotti's main demands has been the introduction of a 35-hour working week.

However, Mr Bertinotti has insisted on other significant modifications to the government's budget plans, especially regarding the future of the Italian pension system. He also continued to warn at the weekend that his party would vote against the 1998 budget as it stood.

Although the political situation remains on a tightrope, all the political parties appear reluctant to be blamed for precipitating Italy into a new government crisis, which Mr Prodi has already described as "the craziest crisis in the world," and early elections. This has put increasing pressure on Mr Bertinotti to soften his position since early elections could pose a serious risk for his party's fortunes.

However, the chances of averting a crisis will largely depend on the outcome of today's talks between Mr Prodi and Mr Bertinotti and their ability to find a mutually face-saving compromise.

Nato studies staying on in Bosnia

By Alexander Nicoll, Defence Correspondent

Nato officials are working on options for a continuing international military presence in Bosnia after the mandate of the 36,000-strong Stabilisation Force (Sfor) expires next June.

Many alliance governments argue that it is not productive to hold a public debate on a future military mission when Sfor is only halfway through its 18-month mandate, especially given the likely pressure from the US Congress to withdraw American troops.

However, military commanders have advised Nato defence ministers that for planning purposes a decision on what will be done after June needs to be taken by February. Therefore, options are being developed now for Nato ministers to consider in December.

Alliance officials have suggested that attempts should be made to draw the Balkan nations into a regional security dialogue as well as arms control arrangements and activities under the Partnership for Peace, the Nato programme for military co-operation with eastern European countries.

While defence ministers agree that they should focus for now on what Sfor can accomplish within its existing mandate, virtually all involved in Sfor acknowledge that the tensions within Bosnia are unlikely to abate sufficiently by June to allow civilian institutions to operate without military backing.

One post-Sfor option, likely to be firmly opposed in Europe, is to locate a reserve force outside Bosnia, with the capability for rapid deployment. Only a small military presence would remain on the ground in Bosnia.

Under this suggestion, the reserve force might be kept in Hungary and on aircraft carriers, and would continue to police a military no-fly zone over Bosnia.

From the US point of view, such a plan would enable the US to play its part in the international community's commitment to Bosnia without deploying troops there unless absolutely necessary.

One European defence official said: "Nobody in Europe will be willing to take [in such a plan]," which has echoes of previous unsuccessful attempts to control the conflict in former Yugoslavia.

The view of leading European countries is that a continuing military presence will be needed on the ground and that a full US role is vital for it to be effective.

William Cohen, US defence secretary, said last week the June deadline was concentrating minds in Bosnia on fulfilling the Dayton peace accord.

He said Congress did not want a "garrison force" in Bosnia.

But Joris Voorhoeve, the Dutch defence minister, told fellow Nato ministers: "The fragility of the peace requires a continued international military presence [after June 1998]. Decisions on future peace-keeping should rest on the transatlantic unity which has been the key to Nato's success in Bosnia."

Editorial Comment, Page 17

Milosevic faces strong challenge

By Guy Dinmore in Belgrade

Slobodan Milosevic, the federal Yugoslav president, was facing a strong challenge to his authority in presidential elections held yesterday in the republics of Serbia and Montenegro.

Voting in the second round of Serbia's presidential poll got off to a slow start, especially in Belgrade where the capital's ousted opposition mayor, Zoran Djindjic, led a campaign to boycott the polls.

If it should turn out that less than half of Serbia's 7.2m voters went to the polls, then fresh elections would have to be held and the republic would be left without a president for an undefined period.

Voters were faced with a stark choice in a run-off between Mr Milosevic's Socialist proxy, Zoran Lilic, and Vojislav Seselj, a former paramilitary leader who heads the ultra-nationalist Serbian Radical party. Mr Lilic won 36 per cent of the vote in the first round on September 21, against 27 per cent for Mr Seselj. The total turnout then was 57 per cent.

The non-government Centre for Free Elections and Democracy estimated yesterday's turnout was only 17 per cent by midday, and many commentators doubted the final turnout figure would reach the 50 per cent threshold. But Serbian state television, controlled by the Socialists, reported that the turnout was approaching 50 per cent in some areas.

More ethnic Albanians, it said, were voting than in the first round. Serbia's Albanians, who make up about one-fifth of the population, usually refuse to take part in Serbian elections. The Organisation for Security and Co-operation in Europe said it had only 30 observers to monitor nearly 10,000 polling stations in yesterday's elections.

Mr Milosevic was barred by the constitution from running for a third term as Serbian president and switched his powerbase to the federal Yugoslav presidency in July, replacing Mr Lilic. Their Socialist coalition lost its majority in the Serbian parliament because of strong gains by the extremist Radicals, who propose a Greater Serbia that would encompass Montenegro and much of Bosnia and Croatia. Mr Milosevic may well see his authority eroded in Montenegro, where most analysts predict victory for the reformist Milo Djukanovic over the current president, Momir Bulatovic, a close ally of the Yugoslav leader.

Mr Djukanovic says tiny Montenegro, with a population of about 650,000, will not play a satellite role to its bigger neighbour to the north.

Lafontaine in call for end to wage restraint

By Ralph Atkins in Bonn

Oskar Lafontaine, leader of Germany's opposition Social Democrats, came under fire from the ruling centre-right government yesterday for backing trade union demands for an end to wage restraint.

In an interview published today, Mr Lafontaine – a possible SPD challenger to Helmut Kohl, the chancellor, in next year's federal elections – said higher wages and salaries could boost the German economy by increasing domestic demand.

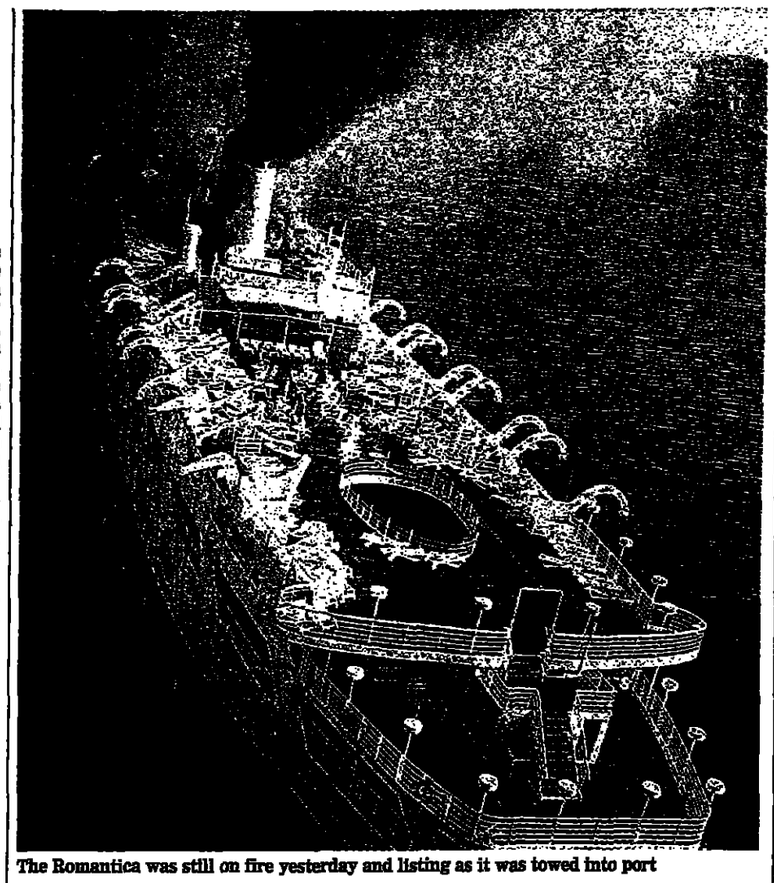
His comments, attacked by politicians in the governing coalition as endangering jobs, highlighted the polarisation of German politics a year before the election. The SPD will choose its chancellor candidate next April.

Mr Lafontaine told Der Spiegel magazine that a moderate wage round could make sense when backed by sensible budget, tax and monetary policies. "But the budget and tax policy of the Kohl government has been anything but reasonable." He added that, since 1989, real wages had hardly grown in western Germany. Employees should be allowed to share the benefits of higher productivity and profits, Mr Lafontaine argued. His remarks could add to financial markets' fears about inflationary pressures and heighten expectations of an interest rate rise. At the weekend, Edgar Meister, a Bundesbank director, said the central bank was watching price trends with concern.

A dip in provisional September inflation figures below 2 per cent could not be interpreted as a change of trend, Mr Meister said. Increased union stridency suggested that pay demands worth 5 per cent or more could be in the pipeline – despite unemployment at nearly 12 per cent of the workforce. The Bonn government is facing a demand from public sector workers for a 3.5 per cent increase from January 1 – a claim dismissed as "out of this world" by Manfred Kanther, interior minister.

Klaus Zwickel, chairman of the powerful IG Metall union, told yesterday's Bild am Sonntag newspaper that wages had not kept pace with increases in productivity and exports, as well rises in share prices to "undreamed of" levels. "Our next wage round begins in late autumn 1998. I can't say anything concrete about our demands. But one thing is clear: for employees, the end of 1998 will see the end of moderation," Mr Zwickel said.

The influence of IG Metall union has been increased by its recent merger with the 188,000-strong GTB textile and clothing union and plans to incorporate the 160,000-strong GHK wood and plastics union.



The Romantica was still on fire yesterday and listing as it was towed into port

Inquiry opens into liner blaze

By Bill Glenton

A cruise liner which caught fire off Cyprus was towed to port on the Mediterranean island yesterday after the blaze forced evacuation of its 700 passengers.

The Cyprus-registered Romantica, a 9,500-tonne vessel commissioned in 1939, was listing and still on fire yesterday. The incident occurred only four days after new Safety of Life at Sea (Solas) regulations were imposed by the International Maritime Organisation, casting doubt over whether they can be fully enforced. Rescued passengers in the Cypriot port of Limassol claimed the vessel was unsafe.

Police and the Cyprus department of merchant shipping have opened an inquiry into the cause of the blaze, which was still unclear. Officials said the vessel had complied with safety standards.

Introduced on October 1 the Solas rules demand that sprinklers, smoke detectors and alarm systems are fitted in passenger accommodation. A total of 135 nations, including Cyprus, are signatories to this extention of the 1974 convention. The main purpose of Solas is to ensure that old ships comply with modern safety standards. The cost of installing a ship with modern safety equipment can be huge. Holland America chose to decommission its popular cruise ship, the Rotterdam, before the October deadline because the bill for refitting would have been $30m.

Many countries employ port control officers with power to stop passenger vessels of any flag from sailing if they do not comply with the rules. But ships operating in the eastern Mediterranean rarely encounter such officialdom.

Cyprus relies heavily on the tourist income from its fleet of half a dozen cruise ships, most of which are over 30 years old.

The Romantica, owned by the New Paradise Cruises of Limassol, was bought at near scrap value from the Greek Line Chandris which disposed of it because it considered its useful life was over.

The ship which picked up the Romantica's stricken passengers, the Princesa Victoria, is even older – built in 1936 and operated by another Cyprus company.

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INTERNATIONAL NEWS DIGEST

Russia set to sign debt deal

The Russian government and its western commercial creditors are expected to sign an agreement in Moscow today on restructuring about $33bn in defaulted loans and interest since the collapse of communism.

The agreement, negotiated over the past 18 months between Russia and the London Club of creditors, is one of the biggest emerging market debt accords. It should give Russia's reputation on international capital markets a boost at a time when Russian companies and municipalities are raising debt capital abroad.

There is already speculation that the agreement will help Russia acquire a higher credit rating, which would make borrowing abroad cheaper. Currently Russia is rated below investment grade by the three main rating agencies – Standard & Poor's, Moody's Investors Service and IBCA.

The agreement covers $24bn in defaulted loans owed mostly by former state-run Soviet enterprises, and around $9bn in outstanding interest payments, owed since the break-up of the Soviet Union in 1991. The deal means Russia will not have to start repaying the principal for 7 years.

Vincent Boland

■ FRENCH MINIMUM WAGE

Union demands increase

Marc Blondel, leader of the powerful Force Ouvrière trade union, stepped up pressure on France's Socialist-led government yesterday by calling for a further increase in the minimum wage. Mr Blondel urged Lionel Jospin, the *prime minister*, to raise the so-called *salaire minimum interprofessionnel de croissance* (Smic) by another 2 per cent, after the 4 per cent rise in July.

The main issue at a government conference next Friday with employers and unions looks set to be the Socialist party's election promise to "progressively reduce the legal work week from 39 to 35 hours without reduction in salary". Jean Gandois, head of the Patronat, the employers' federation, has said he is opposed to any law which would force businesses to cut working hours without any cuts in pay.

David Owen, Paris

■ LETTER BOMBS

Austria police arrest suspect

Austrian police believe that they have caught the man responsible for more than 20 racist letter-bomb attacks over the last four years. A 48-year-old man was arrested last Thursday in Gralla, 150 miles south of Vienna, after a bomb he was carrying blew up.

The police later discovered several bombs similar to those which killed four gypsies in 1995. Karl Schlögl, the Austrian interior minister, said on Saturday that the man arrested was almost certainly the perpetrator and "not just a dangerous copycat culprit".

The attacks were aimed at people who were deemed to be "soft" on foreigners and carried out by a far-right group obsessed with reuniting the German-speaking peoples of Bavaria, the Alps and along the river Danube. Helmut Zilk, a former mayor of Vienna, lost his hand in an attack in 1993.

William Hall

■ HERRI BATASUNA

Committee members on trial

The trial begins today in the Spanish Supreme Court of all 23 national committee members of the radical Basque party Herri Batasuna (Popular Unity). Prosecutors are seeking six-year jail terms on charges of collaborating with Eta, the outlawed terrorist organisation.

Charges stem mainly from the party's campaign for last year's general election, when it sought to broadcast a video featuring masked members of Eta. Party leaders face further charges because of statements made after two Eta assassinations, which were construed as encouraging further attacks.

David White, Madrid

■ AUSTRALIAN CABINET

PM announces reshuffle

John Howard, Australia's prime minister, announced major changes to his government yesterday after a parliamentary travel allowances scandal that forced three ministers from office.

The biggest loser in the reshuffle was Amanda Vanstone, who was replaced as employment and education minister by her former deputy, David Kemp. The employment portfolio is seen as one of the most critical cabinet posts in the lead-up to the next election, expected late next year.

The government's other key economic posts, including that of the treasurer, Peter Costello, remained in the same hands. Workplace relations minister, Peter Reith, was given additional responsibilities for waterfront reform. A National Party backbencher, Mark Vaile, was promoted to the cabinet post of transport minister, replacing John Sharp, who resigned in the expenses scandal. Another minister who resigned, Peter McGauran, saw his science and technology responsibilities handed to John Moore, minister for industry and science.

Reuters, Canberra

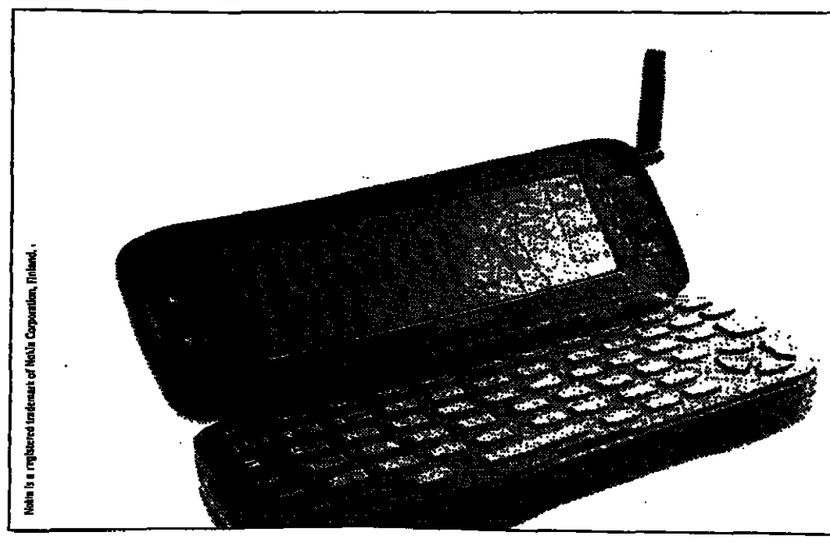
■ VENEZUELA PETROCHEMICALS

Joint venture agreed

State-owned Petroquimica de Venezuela (Pequiven), Koch Nitrogen Company, Italy's Snam Progetti and Empresas Polar have agreed in principle to form a joint venture to build and operate a fertiliser complex in north-eastern Venezuela.

The complex will consist of two ammonia plants with a total capacity of 1.2m tonnes and two granular urea plants with capacity of 1.5m tonnes per year and is expected to cost $800m. The project, expected to begin in 2000, would account for one-third of Venezuela's current petrochemical production.

Raymond Colitt, Caracas



هكذا من الأصل

Rupiah collapse raises fears over company debts

By Sander Thoenes in Jakarta

The collapse of the rupiah, which has fallen more than 40 per cent in four months, has raised concern that Indonesian conglomerates may be much deeper in debt than reported.

Traders said Indonesian companies were urgently looking for dollars in a thin market to pay off foreign debt, which rose sharply in rupiah terms as the currency started sliding in August. The rupiah hit 3,725 to the dollar on Friday before climbing back to 3,410. The stock exchange lost 4 per cent to end at 515.477, compared to highs of over 700 earlier this year.

"It was horrific," one western trader said. "Suddenly everybody is pessimistic. We were like a flock of sheep." The Bank of Indonesia on Friday offered export-oriented industries a new foreign exchange facility to encourage them to unload dollar earnings, but the move had little impact on trading.

"This is going so fast," an Asian banker said. "Now people start to worry about what will happen to Indonesia." ABN Amro Hoare Govett predicted last month that earnings growth in the non-banking sector would drop to zero if the rupiah stabilised at 3,000 to the dollar.

Bankers are concerned that a further steep fall in the rupiah could bring down one or more of the large conglomerates which in turn could drag down other big groups down because of the extensive cross-ownership.

Economists and investors in Jakarta admit that the crisis has revealed how little they know about the extent to which Indonesian companies had issued short-term commercial paper, borrowed abroad and failed to hedge their dollar debt. Hoare Govett said only three out of 29 large companies surveyed had fully hedged. Indofood, the noodle producer, admitted much of its $900m foreign debt was unhedged.

The Bank of International Settlements reported in August that $34.24bn of Indonesia's $55.52bn in private bank debt matures within one year. But William Keeling, senior adviser to Dresdner Kleinwort Benson, said many large conglomerates had borrowed through off-shore affiliates using stock or assets of listed companies as collateral. These borrowings might not show up as foreign debt, and analysts fear some collateral has been pledged several times.

Poorly registered short-term commercial papers could haunt companies as well. Indonesian rating agency Pefindo listed $350m and Rp1235bn in paper outstanding on September 8, in addition to paper issued by companies with ratings by foreign agencies. Sekar Group, a large property and oil conglomerate, denied reports that it defaulted on $360m in paper, but its shares lost 58 per cent in recent weeks. Two small banks have collapsed in commercial paper frauds worth Rp1,000bn.

Some analysts accuse the Bank of Indonesia of causing the disarray by overreacting to the first slide in August. It not only raised interest rates but also ordered state enterprises and pension funds to cancel deposits with commercial banks and transfer all funds to the central bank.

The Bank has gradually eased liquidity and returned funds but businesses push for further rate cuts, arguing that much of the new cash has been mopped up by banks eager to pay the debt of their own affiliates before lowering commercial interest rates. The Bank's chairman said on Friday that interest rates could come down further only after the Rupiah stabilised.

No large defaults have been confirmed but many subcontractors complain that they are not being paid. At least four large groups and two brokerages are believed to be badly hit by overexposure to foreign loans, commercial paper or luxury condominiums which have sold poorly.



A protester begs for release yesterday after being arrested in Dhaka, Bangladesh, during an opposition-led transport blockade in which one man was axed to death and hundreds were injured. Pickets blocked trains and roads in the latest opposition protest aimed at bringing down the government of Prime Minister Sheikh Hasina Reuters

US to go to WTO over India's ban on consumer goods imports

By Mark Nicholson in New Delhi

The US is today expected to ask for a World Trade Organisation ruling over India's ban on the import of more than 2,700 consumer goods.

India and the US have failed to narrow differences over the phased removal of India's import restrictions. Many of India's other trading partners, including the European Union, Canada, Australia, New Zealand and Switzerland, are expected to back the US move. Though India has agreed to remove its 50-year ban on most consumer goods imports, its offer to do so over six years, while loading sensitive items towards the end of the period, has failed to satisfy its main trading partners. The US wants the ban removed over three years.

India is one of a diminishing handful of developing countries which have sought protection for consumer goods industries under a WTO clause permitting restrictions where countries can claim a precarious balance of payments or foreign exchange reserve position. India conceded earlier this year that it would no longer justify such shelter, given its robust reserves and manageable trade deficit. Reserves are approaching $30bn – more than seven months' import cover.

US officials hinted they could be flexible over the timetable for removing the ban, while the EU has taken a softer line. However, both the US and other trading partners are unhappy with India's proposal to leave the removal of bans on items such as foods and "fast moving consumer goods" to the end of the six-year phase-out.

The WTO disputes panel will give a ruling after six months. India could eventually be forced to remove all import restrictions "within a reasonable period" – which could be within two years.

US and European officials suggested this threat might prompt India to shift the "loading" of its phase-out in their favour. US trade officials said they believed there still remained time for a compromise.

The issue is politically sensitive in India, and accelerated liberalisation is strongly opposed by left-wingers and others within India's fractious multi-party United Front coalition government. India has justified the ban as necessary to protect thousands of small industries, which dominate consumer goods manufacture.

Koreans scrap over torn picture

By John Burton in Seoul

A torn newspaper photograph of North Korea's "Dear Leader" Kim Jong-il has halted construction of nuclear reactors by an international consortium.

In a country where visitors are warned that even folding a newspaper carrying Mr Kim's image amounts to desecration, North Korea has suspended work and demanded an apology for the "destroyed" newspapers found in waste-baskets at the quarters of South Korean workers.

South Korea yesterday said it was delaying the planned visit of a survey team to the nuclear reactor site in North Korea because of concerns for their safety after it refused to apologise.

An international consortium, led by the US, South Korea and Japan, is building two light-water reactors on North Korea's east coast as part of a 1994 deal under which Pyongyang promised to abandon its suspected nuclear weapons programme.

Although North Korea has not threatened the 108 South Korean workers and two foreign ministry officials at the site, it has restricted them to their compound in violation of an agreement between Pyongyang and the international consortium, the Seoul government said.

China faces shortage of iron ore and copper

By James Harding in Shanghai

China will face an annual shortage of at least 100m tonnes of iron ore and will need to import vast quantities of copper by 2000, according to an official report yesterday.

The ministry of geology and mineral resources said rapid growth since the 1980s had widened the gap between mineral demand and supply.

"As a result, China has to increase the imports of minerals it is short of, while devoting more efforts to prospecting for new mineral reserves and involving international mining co-operation, for example, tapping overseas mining resources," The ministry said.

The report said China would need 350m tonnes of iron ore by 2000, but could only produce 230m-250m tonnes. Demand for copper is forecast at 1.3m-1.5m tonnes by 2000, but production by then would be only 0.5m-0.6m tonnes.

China has emerged as a key influence in the international markets for metals, particularly copper, but forecasts vary widely on the scale of Chinese demand. The estimates released yesterday suggest copper demand by 2000 may be higher than some predict – Jiangxi Copper, China's largest copper producer, recently forecast a shortage of 200,000-300,000 tonnes per year over the next few years.

Beijing's strategy, outlined in the report in the Business Weekly, the official government newspaper, involves buying more metals on international markets and using foreign investment to develop mines in China and overseas.

"China will introduce foreign investment and technology to boost domestic mining development," the report said, listing many new mineral deposits discovered in China in the last five years.

More than 1,100 locations of solid mineral deposits, as well as new reserves found at 500 existing sites, have been found. Most new deposits are in central and western areas and offer new reserves of gold, silver and copper.

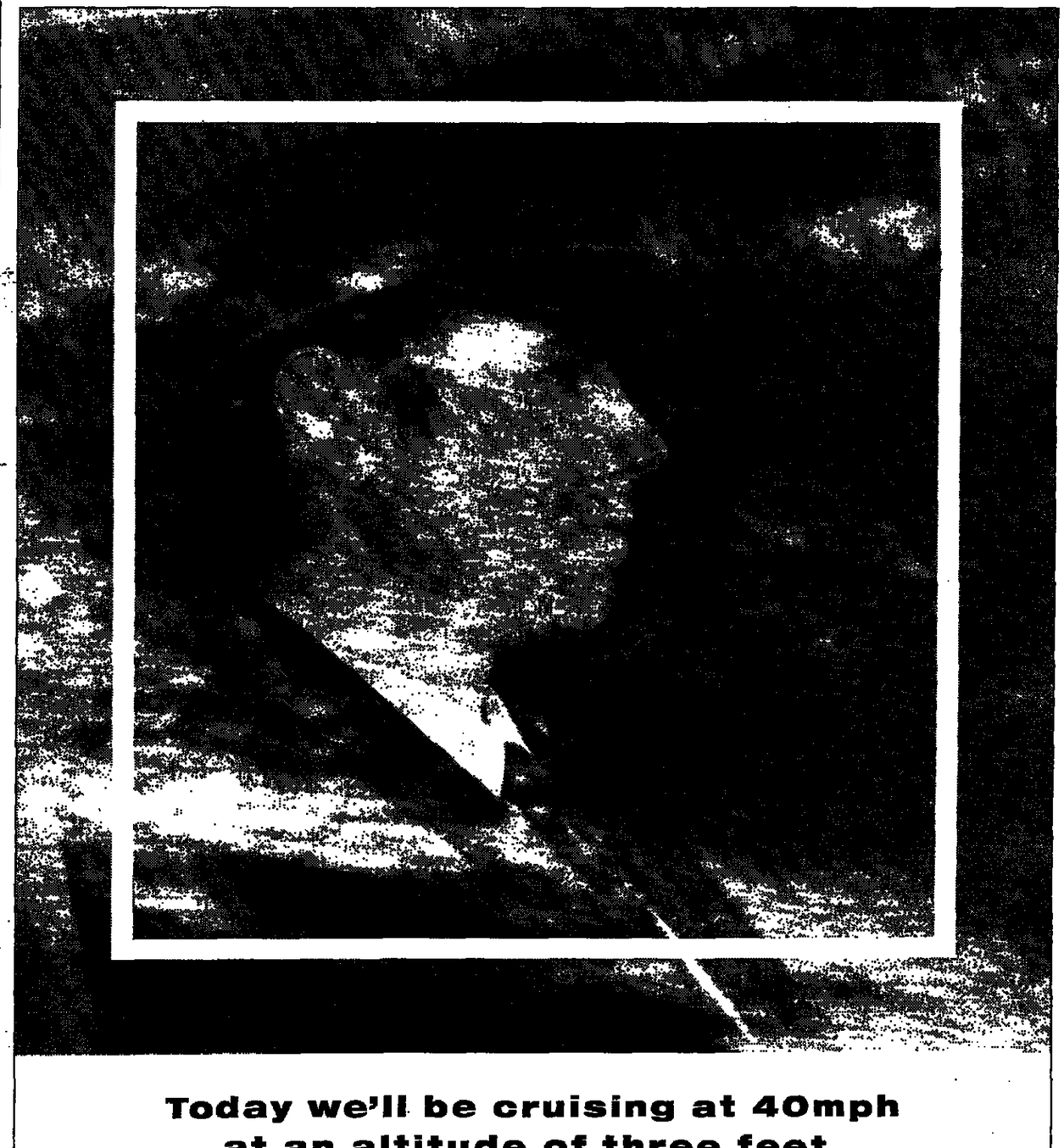
● China will invest Yn60bn ($7.2bn) to build an electricity grid fed by the Three Gorges hydroelectric scheme, Business Weekly said.

The government has established the China Power Grid Development (CPG) to manage construction of the transmission and transformation lines, which will deliver 12,000MW to users in central China, 4,200MW to the east of the country and 2,000MW to Chongqing. Zhou Xiaoqian, president of CPG, said the grid was a "gigantic project".

CPG will install 9,100km of power lines.

FTSE Actuaries Share Indices - Quarterly Valuation — The UK Series

	Market cap as at 30/09/97 (£m)	% of All-Share Index	Market cap as at 30/06/97 (£m)	% of All-Share Index	Market cap as at 27/03/97 (£m)	% of All-Share Index
FTSE 100	983900.09	75.96	808681.44	75.01	738387.27	72.89
FTSE 250	217131.18	17.67	194568.37	18.04	195668.64	19.31
FTSE 250 ex IT	197077.19	16.03	175709.12	16.29	179251.45	17.69
FTSE 350	1151031.27	93.63	1003450.81	93.05	934053.91	92.20
FTSE 350 ex IT	1127870.88	91.74	981834.46	91.03	912952.83	90.12
FTSE 350 Higher Yield	516299.27	42.00	456382.59	42.32	469605.76	46.35
FTSE 350 Lower Yield	634732.00	51.63	547068.22	50.73	464448.15	45.85
FTSE SmallCap	78358.39	6.37	74928.34	6.95	79027.39	7.80
FTSE SmallCap ex IT	64716.77	5.26	61678.81	5.72	66637.43	6.58
FTSE All-Share	1229389.66	100.00	1078379.15	100.00	1013081.30	100.00
FTSE All-Share ex IT	1192589.43	97.01	1043311.27	96.75	979159.58	96.65
10 MINERAL EXTRACTION	128489.17	10.45	107615.83	9.98	99401.04	9.82
12 Extractive Industries	17101.02	1.39	12502.62	1.16	11651.01	1.15
15 Oil: Integrated	101043.27	8.22	85327.86	7.91	78175.67	7.72
16 Oil Exploration & Prod	10344.88	0.84	9785.35	0.91	9574.37	0.95
20 GEN INDUSTRIALS	168808.96	13.73	149914.98	13.90	156822.41	15.48
21 Building & Construction	9716.10	0.79	9249.4	0.86	9206.24	0.91
22 Building Matls & Merchs	23049.13	1.87	23161.74	2.15	23283.05	2.30
23 Chemicals	22014.83	1.79	19484.42	1.81	18969.15	1.81
24 Diversified Industrials	23054.72	1.88	20179.27	1.87	22782.55	2.25
25 Electronic & Elect Equip	19578.94	1.60	18270.25	1.69	18706.53	1.85
26 Engineering	45735.20	3.80	39185.07	3.63	40888.54	4.03
27 Engineering: Vehicles	11969.54	0.97	9360.44	0.87	9295.76	0.92
28 Paper: Pckg & Printing	9792.20	0.80	8307.85	0.77	10528.58	1.04
29 Textiles & Apparel	2797.50	0.23	2716.72	0.25	2774.01	0.27
30 CONSUMER GOODS	206019.40	16.76	183871.59	17.96	176904.47	17.46
32 Alcoholic Beverages	29829.83	2.41	26821.04	2.68	26003.00	2.57
33 Food Producers	37078.37	3.02	34673.94	3.22	34805.93	3.42
34 Household Goods	5527.83	0.45	5250.85	0.49	5117.30	0.51
35 Health Care	6293.31	0.51	6229.66	0.58	6138.54	0.61
37 Pharmaceuticals	109699.50	8.68	86154.08	9.10	86770.28	8.57
38 Tobacco	20790.56	1.69	20642.22	1.91	18269.42	1.80
40 SERVICES	260709.78	21.21	231823.65	21.51	240137.19	23.70
41 Distributors	9021.17	0.73	8512.01	0.79	8329.92	0.82
42 Leisure & Hotels	22118.52	1.80	21253.52	1.97	22812.21	2.25
43 Media	58505.27	4.60	53838.12	4.99	57044.37	5.62
44 Retailers: Food	32035.71	2.61	25641.78	2.38	24518.06	2.42
45 Retailers: General	60662.22	4.94	50650.48	4.70	53037.09	5.24
47 Breweries: Pubs & Rest.	23233.50	1.89	21887.84	2.01	23061.93	2.28
48 Support Services	25004.17	2.03	21660.34	2.01	23155.53	2.29
49 Transport	32129.22	2.61	29679.75	2.65	28180.08	2.78
60 UTILITIES	122432.66	9.96	112915.58	10.47	106374.15	10.50
62 Electricity	32868.70	2.67	28650.26	2.66	26997.45	2.66
64 Gas Distribution	16085.89	1.31	13052.93	1.21	10018.36	0.99
66 Telecommunications	54943.10	4.47	55751.87	5.17	54976.92	5.42
68 Water	18534.97	1.51	15460.52	1.43	14481.39	1.43
69 NON-FINANCIALS	886459.97	72.11	796241.61	73.84	779839.26	76.96
70 FINANCIALS	306129.46	24.90	247089.88	22.91	199520.32	19.69
71 Banks: Retail	204753.58	16.65	165838.48	15.38	119731.81	11.82
73 Insurance	26316.98	2.14	21226.57	1.97	21396.17	2.11
74 Life Assurance	34163.18	2.78	22139.1	2.05	21611.90	2.13
77 Other Financial	18762.41	1.53	17188	1.59	17195.41	1.70
79 Property	22113.31	1.80	20677.51	1.92	19585.03	1.93
80 INVESTMENT TRUSTS	36800.23	2.99	35067.86	3.25	33921.72	3.35
89 FTSE All-Share	1229389.66	100.00	1078379.15	100.00	1013081.30	100.00
105 FTSE All-Share ex IT	1192589.43	97.01	1043311.27	96.75	979159.58	96.65
FTSE Fledgling	18645.70	–	18327.53	–	18102.60	–
FTSE Fledgling ex IT	15001.79	–	14681.96	–	15433.71	–
FTSE AIM	5459.87	–	5800.78	–	5825.88	–



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Israeli prime minister under fire over botched assassination attempt in Jordan

Critics round on Netanyahu

By Avi Machlis and Judy Dempsey in Jerusalem

Israeli prime minister Benjamin Netanyahu yesterday faced growing criticism over the recent botched attempt to assassinate an Islamist leader in Jordan, allegedly by Israeli agents.

The Israeli government has remained silent on the issue, although it has become a major domestic crisis. Opposition members and security officials have demanded to know why Israeli agents carried out an attack on the territory of its closest Arab ally, Jordan.

Meanwhile Canada recalled its ambassador from Israel at the weekend in a row over the use of forged Canadian passports by two alleged Mossad agents detained in Jordan after the attack on Khaled Meshal, a Jordanian-based leader of Hamas, the Islamic Resistance Movement.

Lloyd Axworthy, Canada's foreign minister, said Canada had evidence that Israel was behind the assassination attempt.

According to media reports, Mr Netanyahu ordered the operation against the recommendations of security officials in retaliation for recent suicide bombings by Hamas. Some opposition members called on Mr Netanyahu to resign, if charges of Israeli involvement in the affair were true. Others appealed to the government to set up a commission of inquiry.

Ze'ev Schiff, a leading commentator for the Israeli daily Ha'aretz, said the move "must go down as one of the worst operational failures in the history of Israel's intelligence services".

Mr Schiff said the move dealt a blow to Israel's relations with Canada and Jordan. "In well ordered countries, prime ministers and cabinet ministers resign over such things, not just the intelligence chiefs," wrote Mr Schiff.

In one of the few statements issued yesterday by the government, it accused the media of "false charges" without addressing any of the allegations. In addition, the statement rebuffed charges that Mr Netanyahu was personally responsible.

King Hussein of Jordan, balancing Arab outrage and Israeli sensitivities, said the assassination attempt was "a reckless act. . . carried out by a party with no faith in peace."

President Mubarak of Egypt yesterday attacked Mr Netanyahu's policies. "There are real fears that the lack of confidence between all sides will continue because of lax, inadequate policies that lack any sense and are not forward-looking," he said.

Meanwhile, Sheikh Ahmad Yassin, a Hamas founder released from Israeli custody last week, said he would return to Gaza today after being deported to Jordan. Mr Yassin said he was willing to co-exist with Israeli Jews "in brotherhood and co-operation and co-existence, on condition that they do not gobble up our rights".

The Hamas leader's statement of moderation sharply contrasted with recent Hamas policy. The movement has killed scores of Israelis in suicide bombings in recent years in an attempt to torpedo Israeli-Palestinian peacemaking. It is still unclear whether his remarks will be accepted by other Hamas leaders.



Netanyahu yesterday: facing demands for his resignation after Mossad operation went wrong Reuters

Global steel use up 4.5% this year

By Stefan Wagstyl, Industrial Editor

World steel consumption will rise 4.5 per cent this year to a record 695m tonnes because of strong economic growth, notably in Latin America, according to a report published today.

Steel use will grow further in 1998, a sixth successive year of expansion, says Mr Lenhard Holschuh, secretary general of the International Iron and Steel Institute, an industry-funded research organisation.

Demand is growing fastest in South America, where it is likely to rise 12 per cent this year, led by increases in Brazil and Argentina, says Mr Holschuh in a report to the institute's annual conference in Vienna today.

In western Europe, economic recovery has boosted steel demand, which will rise by 7.1 per cent this year. Mr Holschuh said there was growing optimism. Economic activity had been damped by monetary and fiscal restraint, as candidates for membership of the single European currency tried to meet the convergence criteria to qualify for entry. In particular, the depreciation of the currencies of prospective Emu members had promoted export-led growth in motors and engineering.

In central and eastern Europe demand is forecast to grow by 4-5 per cent this year and in the former Soviet Union, the recent drastic decline "appears to have bottomed out."

In Asia, a downturn in Japan and Thailand is being offset by growth in China, South Korea and Taiwan.

In North America, steel demand is being led by strong economic growth in the US, compounded by increases of more than 10 per cent in consumption in Mexico and Canada.

The institute expects world demand to continue growing steadily by about 15m tonnes a year.

Peace dividend passed in Ugandan killing fields

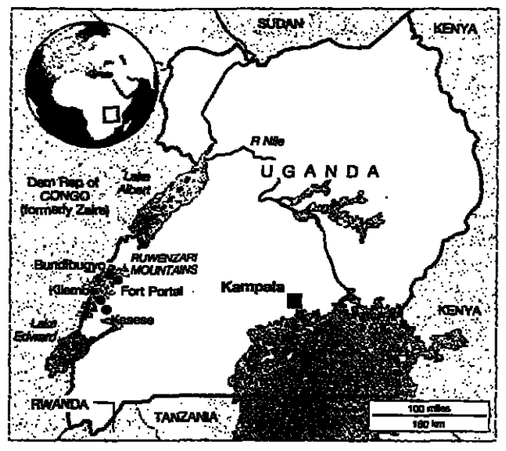
The change of regime in Congo has failed to end a murderous campaign against Christians, writes **Michela Wrong**

The planting season has arrived in Kibandama, but William Katya is not tending his fields. Like the 600 other residents of this Ugandan village on the slopes of the Mountains of the Moon, he has moved to the valley town of Kilembe, where he sleeps on a workshop floor.

He left because raids by rebels belonging to the Allied Democratic Forces (ADF) had become more violent. Three male relatives were abducted, then a stepbrother was hacked to death.

The final, gruesome straw came when the rebels – many of whom are Moslem fanatics – left a victim's head perched symbolically on the altar of the local church. "The whole village is deserted now. All of us have descended to the valley."

When Laurent Kabila's forces seized power in the Democratic Republic of Congo with the backing of Rwanda and Uganda, diplomats predicted the two nations' reward would be peace in their frontier regions, long plagued by insurgencies which enjoyed the blessing of the late President Mobutu Sese Seko.



The reverse appears to be the case.

Deprived of a friendly host, its arms supply lines to Sudan cut, the increasingly desperate ADF has gone on the rampage. It has simultaneously recruited from the exiled Hutu Rwandan army, Mobutu's Forces Armees Zaireoises and other armed groups displaced by Mr Kabila's sweep through the Great Lakes to form a jumbled collection of fighters united only in their antagonism towards the Ugandan leadership.

Far from reaping a peace dividend, Kampala is now battling to control insurgencies on two fronts – the Sudanese-backed Lord's Resistance Army in the north and the ADF in the south-west.

"We were expecting things to move more smoothly," says Father Albert Byaruhanga, an adviser to President Yoweri Museveni who comes from the south-west. "When you are coming out of a troubled period there is always that over-anxiety to see quick returns."

While the ADF campaign so far falls short of the brutal standards set by the long-running insurgency in the north, it is showing a worrying capacity for escalation. In a series of hit-and-run attacks since last November, it has brought fear to three provinces.

Under the nose of the army, members of what one Ugandan minister dubs the "Alliance of Devil Forces" have laid mines, ambushed vehicles and abducted scores of villagers, forced to become fighters or work as porters.

Foreign aid workers have pulled out, development projects have been halted, schools closed, crops are not being harvested. The World Food Programme estimates that 80,000 Ugandans have left their villages to camp around the towns of Bundibugyo, Nyahuka, Kasese and Fort Portal, dependent on food aid.

Western embassies warn against travelling to the area, located close to several popular game parks. Walking and climbing expeditions into the Mountains of the Moon, the snow-capped range which Ptolemy believed to be the source of the Nile, have been scrapped.

"The ADF do not represent a threat to the government," says a Kampala-based diplomat. "But they can hurt it by making these areas less secure, hitting tourism revenue and forcing the government to keep spending on defence."

The group's capacity to cripple the south-west is all the more surprising given the motley nature of its make-up, its size and the sketchy nature of its political credo.

Estimated at between 600 and 1,000 men, it is a coalition between members of the Moslem Tabliq sect who fled into former Zaire when their camp in west Uganda was overrun in 1994 and the National Army for the Liberation of Uganda, which for years ran a low-level guerrilla campaign from the Ruwenzori mountains. Unemployed youths are recruited with promises of four-wheel drive vehicles, prestigious jobs and villas in Kampala once Mr Museveni – who the group lambasts in its handwritten leaflets as "a Rwandan who is bleeding the country dry" – is overthrown.

But in contrast with the Lord's Resistance Army which, officials now admit, enjoys a level of collaboration from the Acholi inhabitants of the neglected north, there is no bedrock of local support.

Atrocities against church people – seminarists have been buried up to their necks with Bibles stuffed in their mouths, clerics have been killed and decapitated heads placed inside churches – have revolted an overwhelmingly Christian population.

"There is no political clarity to their movement," says Ndiwa Chemasuet, district commissioner in Fort Portal. "The fact that they are obliged to abduct people shows they cannot spontaneously persuade people to join their movement."

In early August Mr Museveni promised 3,000 troops to combat the insurgency. But it took until late September for the first reinforcements – soldiers trained by visiting US experts in peacekeeping techniques – to muster in Fort Portal.

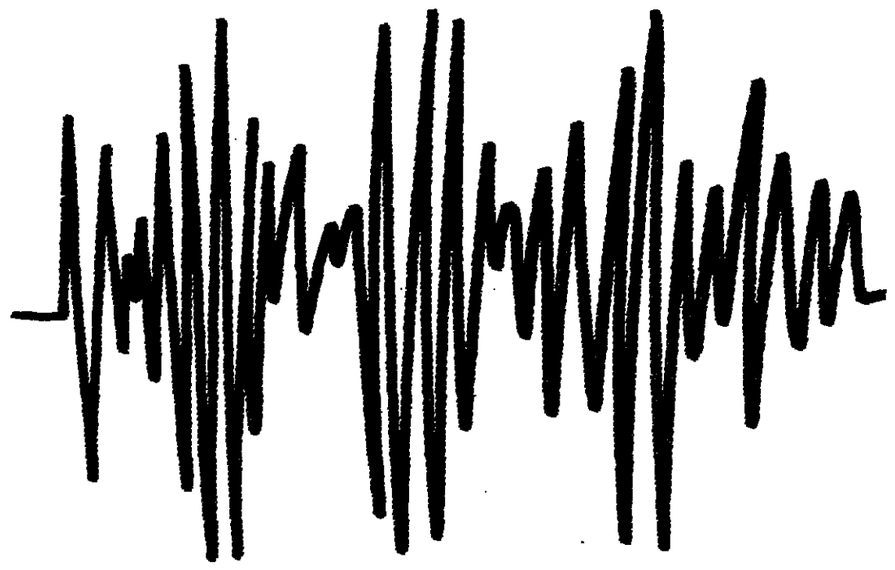
Lieutenant-Colonel Charles Angina, running the army's operation in the south-west, says that until he has those reinforcements he cannot dominate this rugged terrain.

Even once those troops materialise, the continuing chaos across the mountain ridge may prevent a final reckoning. There Mr Kabila's anti-Mobutu alliance is unravelling, the Rwandan army has largely pulled out and establishing law and order seems an ever more distant dream.

"Whenever you put a lot of pressure on the ADF they have a fallback position in the Democratic Republic of Congo, not because the government there supports them but because Kabila has not yet consolidated his position," says Lt Col Angina.

For him the solution is clear: a joint Ugandan-Congolese military operation conducted on both sides of the border to wipe the threat out for ever.

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The State of São Paulo is selling its electric-power plants to private investors, the largest transaction of its kind ever carried out in the world, involving the sum of US$ 34 billion and drawing major investors interested in the purchase of **CESP, CPFL** and **ELETROPAULO.**

In what concerns **CPFL** - the fourth largest electric-power distributing company in the country, with 16 thousand GWh sold per year - the data room is available to those interested, up until the eve auction sale which will be held on November 5, 1997.

As to **CESP** and **ELETROPAULO,** Government advisors are currently concluding valuation and mode-of-sale studies for initiation of the selling process in January of the coming year, when the subsidiary of those two enterprises are placed on the private market. From March 1998, the electrical energy generation companies will start being sold.

Prospective buyers can obtain further information by telephone: 55 11 257-3291, by fax: 55 11 258-8084, through the Internet http://www.energia.sp.gov.br

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CAZA OF TRIPOLI
SUPPLY OF LANDFILL MOBILE EQUIPMENT

The Republic of Lebanon has received funding from the International Bank for Reconstruction and Development (IBRD) towards the cost of the "Emergency Reconstruction and Rehabilitation Project for Lebanon / Solid Waste" and it is intended that parts of the proceeds of this loan will be applied to eligible payments for the above mentioned contract for the caza of Tripoli.

The Council for Development and Reconstruction (CDR) invites sealed bids from eligible bidders for the supply of landfill mobile equipment, namely 1 landfill compactor, 1 track loader, 1 wheel loader, and 1 water tank truck.

Bidders can present offers for one, two, three, or the whole set of the required mobile equipment.

This project will be administrated by CDR, based upon the World Bank's guidelines.

Contractors who have already undertaken similar projects are invited to apply for the above-mentioned project and will be subject to post-qualification according to the criteria to be stated in the bidding documents. The bidding documents are available for collection at CDR offices against the sum of US$ 200 (two hundred) in the form of a banker's certified check in the name of the Council for Development and Reconstruction, starting on Wednesday August 20th 1997. The Tender Documents that were retrieved by bidders in August 1997, are still valid.

The prepared offers are to be returned before twelve o'clock noon (local time) on Friday October 24th, 1997 at the following address: The Council for Development and Reconstruction - Tallet el Serail - Beirut - Lebanon.

The bid opening will take place at the CDR on Friday October 24th, 1997 at twelve o'clock noon (local time).

Further information may be obtained from: The Council for Development and Reconstruction - Tallet el Serail, Beirut, Lebanon - Phone: 961-1-643988/1/2/3 - Facsimile: (961-1) 864494 - 647947

هكذا من الأصل

Big test for US party finance bill

By Gerard Baker in Washington

A legislative attempt to limit US political donations from big contributors faces a vote tomorrow that could kill it.

The Senate will vote on an amendment to the McCain-Feingold bill, a measure that seeks to limit so-called "soft-money" contributions – unregulated donations made to political parties, rather than to specific campaigns.

The amendment, proposed by Republican opponents of the bill, would require every member of a labour union to give written permission before union dues could be used to fund political campaigns. The proposal is, in effect, a "killer amendment"; if passed, it will make the bill itself unacceptable to virtually all Democrats, who have hitherto been the main supporters of the measure.

But the amendment, which would radically reduce the money the Democrats receive from unions, seems likely to draw more support among Republicans. If it secures enough backing, Democrats will certainly oppose the amended bill, ensuring it is defeated. Mr McCain needs at least four other Republicans to oppose the amendment but, as of yesterday, he had only enlisted two or three.

Meanwhile, Republicans continued to attack the decision last week by Janet Reno, the attorney general, not to appoint an independent counsel immediately to investigate allegations of campaign finance contributions by President Bill Clinton and Vice-President Al Gore in last year's elections.

On Friday Ms Reno extended the preliminary investigation into Mr Gore's activities that could lead to the appointment of a special prosecutor. But, in doing so, she explicitly rejected most of the allegations made by Republicans against the two men.

She told Republicans that in only one area – the alleged improper use of White House telephones to solicit funds – was there even the possibility of wrongdoing. All other allegations – mainly that the president had taken contributions from supporters in exchange for improper access to the White House – were without foundation.

"She sounds like a defence attorney for the Clinton-Gore administration," said Don Nickles, a leading Republican senator.

In a new development yesterday Time magazine reported that meetings between Mr Clinton and campaign donors were videotaped by the White House. Though the sessions were only partially recorded, the tapes may provide evidence for the inquiry.

'If we lose, this issue is not going away' – Senator McCain

Senator John McCain, an author of the bill and one of the few Republicans to support it, acknowledged yesterday the amendment was on a knife-edge, but vowed to press ahead with reform in any case. "I think it's going to be a very close vote," he told CBS News. "If we lose, this issue is not going to go away because the American people will hear more and more information about scandals and illegalities and improprieties."

The main bill requires at least 60 votes to override attempts by opponents to filibuster. Though an overwhelming majority of the Senate's 55 Republicans oppose the bill, it had seemed that enough were prepared to side with the 45 Democrats to get it passed.

Clinton tries to calm storm over climate

Reaching a deal with US industry on greenhouse gas emissions is crucial to Kyoto talks, says **Leyla Boulton**



Some of the 15,000 wind turbines to be found in California. But not all US industry is convinced of the need to curb the use of fossil fuels UPPA

President Bill Clinton today gathers 200 business chiefs, local politicians and scientists at the White House to thrash out a US policy on climate change.

Domestically, the meeting is an important test of Mr Clinton's ability to produce a plan to cut greenhouse gases in the face of fierce lobbying by industry and the Republican-dominated Congress against any reductions.

The European Union has challenged Washington to endorse its target of a swingeing 15 cut per cent in industrialised countries' greenhouse gas emissions from 1990 levels.

In general round the world, the Washington meeting is viewed as a litmus test for the success or failure of international talks in Kyoto, Japan, in December when representatives from some 170 countries sign a protocol on specific emissions reductions.

"Those who want to see action [in Kyoto] should stress the importance of the meeting becoming a catalyst for serious debate in America," says Robin Cook, the UK foreign secretary. Industrialised countries, including the US, last year undertook to agree at Kyoto to legally-binding cuts in greenhouse gas emissions from 1990 levels by 2010, including carbon dioxide from the burning of fossil fuels.

But most rich countries, with the exception of Britain and Germany, show no sign of living up to a preliminary goal of stabilising emissions at 1990 levels by 2000, and the US is the biggest culprit of all.

The EU is closer to achieving the 2000 target, partly due to reasons that have little to do with the environment, such as the UK's political decision to shrink its coal industry and Germany's closure of large chunks of industry in its former communist east.

The stance of the US at Kyoto is crucial. The US accounts for 22 per cent of the world's carbon dioxide emissions, the world's biggest single source, and it is the only country with the diplomatic clout to forge an international consensus at Kyoto.

Claiming "everything is still in play", the White House will only say the president plans to unveil the US proposals for Kyoto in time for preparatory talks in Bonn at the end of the month.

In seeking to tackle what he describes as the world's most serious environmental problem, Mr Clinton is trying to steer a course between the demands of Congress and US industry lobbyists, and environmental activists and US partners in Europe.

US industrialists have spent over $10m in the past month on advertising against any reduction in greenhouse gases.

They claim that any cuts in emissions by industrialised nations that are not mirrored by obligations for fast-growing developing nations, such as China, will hurt US jobs and living standards.

The Senate has even put this in writing: this summer it approved a resolution vowing to block any US cuts not accompanied by obligations for developing countries by 2010.

This is why the US plans to press developing nations to sign up to emission cuts in Kyoto, in violation of another commitment last year by industrialised countries to leave action by the rest of the world to subsequent negotiations.

The US approach has prompted environmental groups and European countries to express fears that Washington could wreck the Kyoto conference.

"It is morally untenable that the US government should be held to ransom by industry and oil lobbyists," says Robin Pellew, the UK director of the World Wide Fund for Nature.

"It is correct to say that in 15 years' time, China will have emissions as high as the US," says Jorgen Henningsen, the climate change negotiator for the European Commission in Brussels. "But there are five times as many Chinese, and their emissions per capita will be only 20 per cent of those of America."

But other experts argue that such criticism misses the point on what the world can realistically expect from the US.

"What the world wants from the US it cannot have," says Tom Burke, a former head of Friends of the Earth who advises companies on their environmental policies.

Such "realists" argue the world will be lucky if the US undertakes to stabilise emissions at 1990 levels by 2010. The US Department of Energy estimates even this would require a huge effort on the part of the US.

This is because it would mean reversing growth in emissions which has already put the US 11 per cent above 1990 levels and which would otherwise grow by another 14 per cent between now and 2010.

The department says that although it would not affect overall economic growth, the stabilisation target would require a big increase in research and development into new technology and a big drive to increase energy efficiency.

The US wants Kyoto to find ways to allow western companies and governments to finance emission cuts in developing countries. These could include a system of international trading in permits to emit carbon dioxide.

The US's own system of trading permits for sulphur dioxide, which causes acid rain, has cut pollution abatement costs beyond all expectations.

But Washington's proposals are still viewed by critics as a ruse to allow rich countries to continue growing at the expense of poorer ones.

President Clinton can take a first step to overcoming such resistance by producing a credible national action plan.

Only then, says a German official involved in organising the pre-Kyoto talks in Bonn, "can we really start to negotiate".

New resting place for a dinosaur named Sue

By Richard Tomkins in New York

A dinosaur named Sue changed hands for $7.6m at the weekend after McDonald's and Walt Disney helped a Chicago museum top the bidding for the fossilised beast at a Sotheby's auction in New York.

Some 65m years after her death, and seven years after her rediscovery in South Dakota, the Tyrannosaurus Rex will now find a new resting place in Chicago's Field Museum of Natural History.

Thanks to her corporate sponsors, however, her likeness will be seen by millions elsewhere. McDonald's plans to make two life-size copies and exhibit them around the world, while Disney intends to put a replica in Disney's Animal Kingdom at Walt Disney World in Florida.

"We see this as McDonald's gift to the world for the millennium," said Jack Greenberg, chairman and chief executive of McDonald's USA.

The dinosaur, named after Susan Hendrickson, the palaeontologist who discovered her, is the biggest and best preserved example of a Tyrannosaurus Rex yet found, and the first to be sold at auction.

Her remains suggest she had a tough life. She frequently sustained wounds, and in her later years, suffered from gout. Teeth marks across her 5ft long skull suggest she died in combat with another T-Rex.

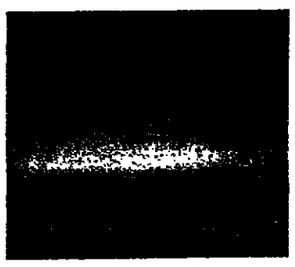
She was discovered in 1990 during a field trip by the Black Hill Institute for Geological Research, a commercial fossil dealer based in Hill City, South Dakota. Black Hill paid $5,000 for her remains to Maurice Williams, owner of the land where she was found.

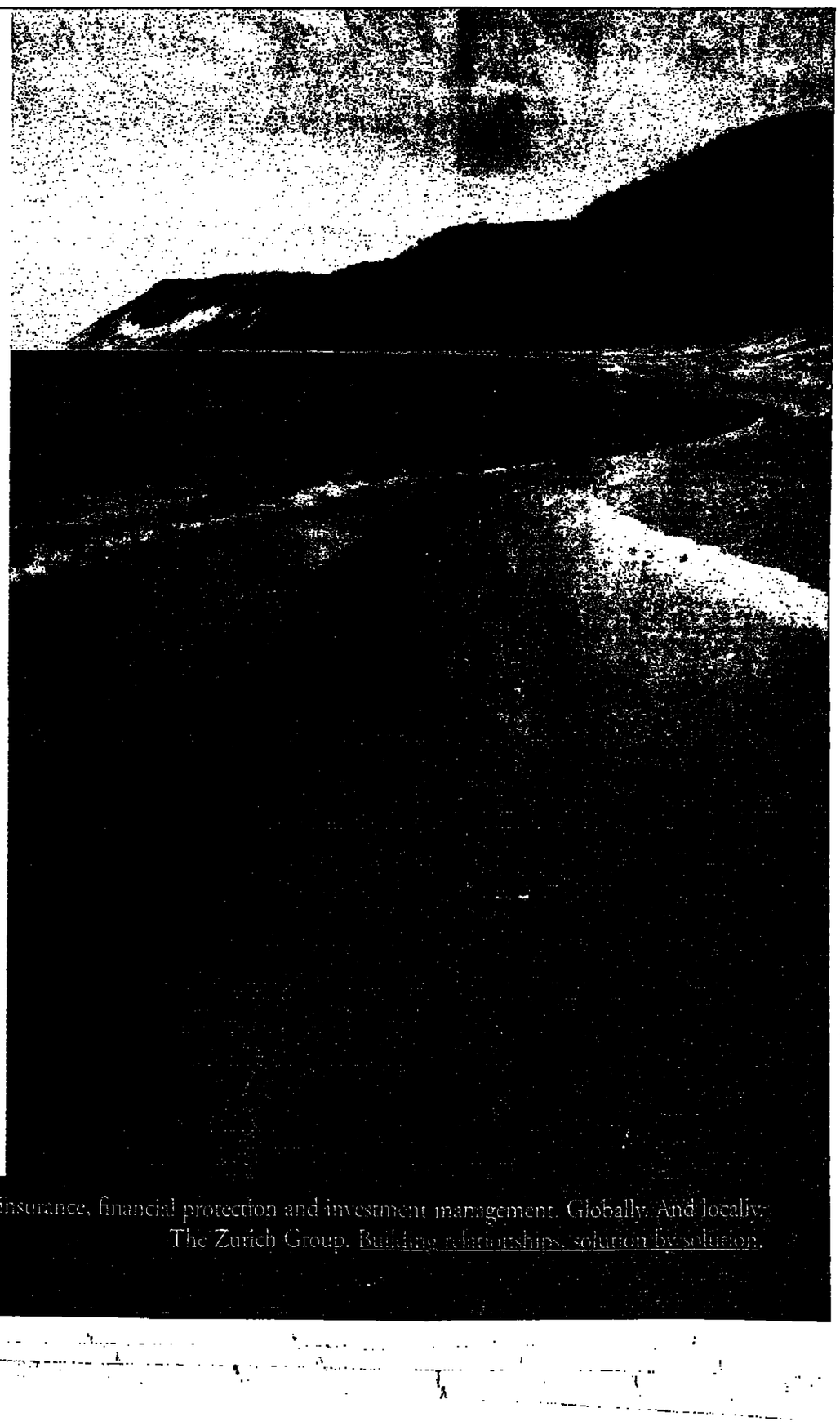
The Black Hills team exhumed the dinosaur and moved it to Hill City. But two years later, federal investigators accused Black Hills of taking a fossil from land within an Indian reservation without federal permission.

Government officials took over the institute and confiscated Sue. After a long series of court cases, the government's action was upheld. But ownership was assigned to Mr Williams, and an auction was determined as the best way of deciding how much he should receive.

One doesn't discover
new lands without consenting
to lose sight of the shore
for a very long time.

–André Gide





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Blair aims to improve relationship with Yeltsin and Russian industry

Premier boosts ties with Moscow

By John Kampfner and John Thornhill in Moscow

Tony Blair, the British prime minister, began his first visit to Russia last night by lobbying for UK companies and assuring his hosts of full status among the world's leading industrialised nations.

Over dinner with Anatoly Chubais and Boris Nemtsov, first deputy prime ministers, Mr Blair also discussed details of a deal to raise the ceiling of export guarantees by £500m ($810m).

With Britain hosting the annual get-together of the G7 group of industrialised nations next year, Mr Blair made clear that the forum would officially be known as the Group of Eight, with Russia playing a full role.

Mr Blair will use talks in the Kremlin today with President Boris Yeltsin to try to cement a warm personal relationship. The two had met twice since the British general election in May, in Paris and Denver, Colorado. German and French leaders have been far more successful than their British counterparts in recent years at cultivating personal relationships with Mr Yeltsin. British officials suggested that John Major, the previous prime minister, had not been able to find time to focus on the personal and informal sessions that have been so important in Mr Yeltsin's relations with, for example, Chancellor Helmut Kohl of Germany. The Foreign Office has advised Mr Blair of the importance of trying to establish a strong personal rapport with Russia's leaders to help maximise the UK's influence in eastern Europe. "Russia is a deeply personal country and it is a weapon we were light on in the past," said one senior British diplomat.

On his first visit to Moscow, Mr Blair might find it hard to relate personally to Mr Yeltsin, who is more than 20 years his senior. But Mr Blair should have more common ground with Mr Chubais and Mr Nemtsov, who are spearheading the Russian reform drive. Both Mr Chubais and Mr Nemtsov are of the same generation as Mr Blair and both are fluent in English.

Mr Blair and Mr Yeltsin will also sign a memorandum broadening cross-border co-operation in the fight against organised crime.

In his discussions with Mr Nemtsov and Mr Chubais, Mr Blair was keen to discuss investment prospects for Britain's largest companies. British Petroleum is believed to be in negotiation with Sidanco, a big Russian private sector company, to launch a joint bid for Rosneft, Russia's last big state-owned oil company. During a meeting in Brighton, on England's south coast, last Thursday Mr Blair was urged by John Brown, BP chairman, to seek assurances that the tender process would be open and that the proper legal guarantees would be in place.

Public against Emu, says survey

By Wolfgang Münchau and David Wighton

A referendum on joining the single European currency would pose a serious political risk for the government, according to new survey data, showing that public opinion remains overwhelmingly hostile to the project.

About 61 per cent of UK residents firmly oppose Emu according to preliminary figures from the Annual British Social Attitudes Survey, the most comprehensive of its kind, which is conducted by Social and Community Planning Research.

The findings will be seized on by those ministers who argue that the risks of losing a referendum before the next general election are too high.

Since the last election, cabinet opinion has shifted towards the view that sterling should join soon after 1999 if it does not enter in the first wave.

In particular, Robin Cook, the foreign secretary, has softened his opposition.

The supporters of early entry argue that a concerted campaign by the governing Labour party, the opposition Liberal Democrats and big business, would be able to persuade voters of Emu's merits.

"The electorate has only heard the sceptic case for years and could come round quite quickly, particularly if the Tory party splits on the issue," said one pro-European minister.

The chances of such a split lengthened yesterday as it emerged that the party's shadow cabinet has agreed that backbench Conservative MPs would be free to campaign against party policy in a referendum.

Paddy Ashdown, leader of the Liberal Democrats, urges the government for a clear statement of intent on Emu in an article in today's Financial Times.

End Emu paralysis, Page 16

UK NEWS DIGEST

New deal for tunnel freight

The government has struck a new deal with English, Welsh & Scottish Railway, owned by Wisconsin Central Transportation, for it to take over the Channel tunnel freight business of British Rail, the former state network. The new deal will encourage more competition on freight shipments through the tunnel, between England and France, as well as achieve a substantial increase in traffic. It is expected to be more acceptable to the European competition authorities. Part of the deal would require Eurotunnel to cut the rates charged for long-distance rail shipments when the present subsidy agreement expires in 2006. The new terms for the sale of Railfreight Distribution (RfD), responsible for international shipments through the Channel tunnel, have delayed clearance of the deal by the European Commission.

Under the revised terms, the company would make its trains and crew available to other freight operators. At present RfD and French Railways have a monopoly because they have the only locomotives which have been cleared to run through the tunnel. *Charles Batchelor*

■ NORTHERN IRELAND

Sinn Féin aims to 'smash' union

Martin McGuinness, chief negotiator of Sinn Féin, the political wing of the Irish Republican Army, vowed last night that republicans would go to peace talks this week with the sole intent of ending Northern Ireland's union with the rest of the UK. Speaking to a rally in the nationalist heartland of Coalisland, Mr McGuinness rejected the possibility that Sinn Féin would accept anything other than a united Ireland. "We have not struggled for the last 27 years against the might of the British government and the British military forces to take one step towards consolidating partition of this island. Sinn Féin is not going to the negotiating table to strengthen the union – we are going to the negotiating table to smash the union."

■ MACHINE TOOLS

Chinese engineers offered training

Teams of Chinese engineers are to spend up to six weeks in factories in the UK as part of a project by Britain's machine tool industry to step up exports to the third-biggest tool-purchasing country. The programme is being organised by the Machine Tool Technologies Association, the main trade body for the UK industry. It will involve engineers from Chinese automotive parts companies being trained in the use of UK-made machine tools. Total purchases of machine tools in China in 1996 came to £2.2bn ($3.5bn), making it the third-biggest consumer of tools after the US and Germany. Because of China's rapid industrialisation, officials believe that next century it could be the biggest market for machine tools – an industry currently worth £30bn a year globally. *Peter Marsh*

■ HEALTH

Targets to be revised downwards

A planned government consultation paper on public health shows that targets for the reduction of smoking and obesity will be revised downwards after indicators set in the previous government's Health of the Nation strategy in 1992 proved difficult to meet. *Nicholas Timmins*

Government to offer help for defence industry consolidation

By Alexander Nicoll, Defence Correspondent

The government will today put pressure on the defence sector to restructure and consolidate. At a meeting with industry chiefs, George Robertson, the defence secretary, will offer government help to rationalise the industry.

Mr Robertson will tell the National Defence Industries Council, which brings together the government and suppliers to discuss procurement issues, that the European industry must "rationalise or die". The meeting is part of a long consultative process on the strategic review of Britain's military requirements, which will finish next year.

Mr Robertson is expected to invite ideas from the private sector on how to slim capacity. While officials said it had no intention of "picking winners", they also said defence equipment was not a truly free market because of the strong position of governments as buyers.

The government, has determined that it must take an activist approach to the industry now that restructuring has left the US with a handful of large defence and aerospace groups, including Boeing, Lockheed Martin and Raytheon, at a time when new customers have appeared in the armaments market, both in eastern Europe and in Asia.

It fears that, in the longer-term, smaller European companies will be unable to compete for large contracts against the American giants.

British defence companies are likely to say that rationalisation is not entirely in their hands given the large state holdings in continental manufacturers, especially in France, which has delayed key steps towards a Europe-wide consolidation.

The UK companies are also likely to argue that they have been among the strongest advocates of European rationalisation. British Aerospace, a member of the Airbus Industrie consortium, said yesterday: "We have long advocated the need for Europe to restructure and consolidate. The speedier the better."

Mr Robertson has already held talks with Volker Ruhe, Germany's defence minister and others about rationalisation. He will also try to achieve greater co-ordination between European procurement programmes so that manufacturers are not trying to meet a host of differing specifications in relatively small European government contracts.



Defence secretary George Robertson

Officials said the £40bn ($64.8bn) Eurofighter project offered scope for economies if contractors co-operated more closely. The government believes the restructuring of Airbus, the European commercial aircraft grouping, into a single corporate entity should be achieved rapidly.

Regions warned on investment rivalry

By Arkady Ostrovsky

Sir Colin Marshall, chairman of British Airways, has called on the government to stop regions "gazumping" or over-bidding each other in attempts to win inward investment.

Speaking as chairman of London First Centre, London's inward-investment agency, Sir Colin warned against the rivalry between proposed regional development agencies which might use public funds to lure overseas companies with financial incentives.

"Competition between the British regions for inward investment projects is both inevitable and, in a free market economy, healthy. What is not desirable, however, is for one region to gazump another after an agreement has been reached with an overseas investor," Sir Colin said in a letter to the Sunday Times yesterday.

"Equally unacceptable is the use of public money to encourage businesses to relocate from one part of the country to another," he added. His warning is understood to be a response to the Welsh Development Agency over-bidding north-east England for a 3,000-job investment by ACER, the Taiwanese computer manufacturer.

The Northern Development company, the economic regeneration body for north-east, wants the Department of Trade and Industry be made responsible for negotiating incentives for large investments.

Last month Tony Blair, prime minister, called on Margaret Beckett, trade and industry secretary, to stop regions over-bidding.

A government paper next month will review the distribution of government grants. The review follows signs that English regions are losing out to the better-funded Scottish and Welsh development agencies.

CONFERENCES & EXHIBITIONS

October 2-3
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http://emmsec97.cpe.it
Florence, ITALY

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Corporate Citizenship
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Contact: Neil Stewart Associates
Tel: 0171 222 1280/Fax: 1278
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Too often the Balanced Scorecard framework is treated in isolation from strategic objectives. This conference will enable you to develop a balanced scorecard framework that supports the successful implementation of strategy. Contact Kate Jenkins at Business Intelligence
Tel: 0181 879 3355 Fax: 0181 879 1122
Email: kate.jenkins@business-intelligence.co.uk
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NOVEMBER 6
EVA
This seminar tackles the key issues facing companies in implementing Economic Value Added (EVA) - the shareholder value approach which can raise business performance by identifying and maximising the key wealth creating activities within an organisation. Joel Stern, the world recognised authority on EVA, outlines the practical steps towards integrating EVA into your company.
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The Finance Scorecard
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Email: kate.jenkins@business-intelligence.co.uk
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NOVEMBER 13-14
Financing Energy Infrastructure
Analysing the new instruments and strategies in financing Asia's energy infrastructure contact: Samantha Ledger FT Conferences Asia Pacific
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- Key opportunities
- Case studies
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Ti Grp. 5.1p

■ WEDNESDAY OCTOBER 8
Ashtead Grp. 2.93p
Black Arrow Grp. 2.8p
Brit Govt Stocks Fltg Rate Treas 2001 £1.7171
Genbel South Africa R0.45
HSBC Hldg. 20p
Do. Ord. 20p
Kalon Grp. 2p
Leo 1 Class B. Mort. FRN. 2035 £2,307.88
Leo 2 Class B Mort. Bkd. FRN. 2032 £220.85
Mid Wynd Intl. Invs. Tst. 4.5p
National Westminster Bank 10.6p
Thornton Oriental Income Fund Cap. $0.14
Wilshaw 0.55p

■ THURSDAY OCTOBER 9
Abbey Natl Treas 11% Callable nts. 1998 L550,000
Bank of Melbourne FRN. 1997 $15.33
Irish Permanent FRN. 1998 £185.58
Lambert Howarth Grp. 2.75p
New Ireland Hldg. Ir5.13p
OKI Electric Inds. 7.25% Bds. 1998 Y725,000
PT BDNI FRN. 2000 $168.67
WSP Grp. 1.2p

■ FRIDAY OCTOBER 10
Avmin R0.23
Birkby 6.2p
Chieftain Grp 1.4p
CIA Grp. 0.64p
Clondalkin Grp. Ir2.636p
Clydeport 1.725p
Courts 2.75p
EMI Grp. A.D.R. $0.4476
Gardiner Grp. 0.3p
Grand Metropolitan A.D.R. $0.4049
Greggs 11p
Jones Stroud Hldgs. 5.75p
Lopex 0.4p
Lothbury Funding 1 A1 Mort. FRN. 2031 £406.08
Do. A2 Mort. FRN. 2031 £1,884.90
Do. B Mort. FRN. 2031 £2,086.54
Medeva 1.9p
Orogen Minerals A$0.411
Rank Grp. 5.25p
Schlumberger $0.1875
Slough Estates 3.4p
Visual Action Hldgs. 1.7p
Zetters Grp. 5p

■ SATURDAY OCTOBER 11
City Greenwich Lewisham Rail 9¾% Sec. Bds. 2020 £46.875
Islington Corp. 12.65% Rd. 2007 £6.325

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Abtrust Lloyd's Insurance Trust, 99 Charterhouse Street, E.C., 12:30.
Ashtead, 30 Furnival Street, E.C., 11:30.
John Lusty, The Registry, Royal Mint Court, E.C., 10:00.
Mid Wynd International, 1 Rutland Court, Edinburgh, 11:00.
BOARD MEETINGS:
Interims:
Andrew Sykes
Doeflex
Hughes (TJ)
Jones Group
Moss Bros
Rap Group

■ TOMORROW
COMPANY MEETINGS:
Black Arrow, 748, London Road, Hounslow, Middlesex, 12:00.
Fleming Enterprise Investment Trust, 25, Copthall Avenue, E.C., 12:00.
Govett American Smaller Companies Trust, Shackleton House, 4, Battle Bridge Lane, S.E., 12:00.
Interoute Telecommunications, Rowe & Maw, 20, Black Friars Lane, E.C., 11:00.
Stoves, 20, Fenchurch Street, E.C., 12:00.
BOARD MEETINGS:
Finals:
Halstead (James)
Sinclair (Wm)
Thorntons
Interims:
Cobham
Donatantonio
Eyecare Products
Henderson Highland Trust
JJB Sports
Lambert Smith Hampton
MSB International

■ WEDNESDAY OCTOBER 8
COMPANY MEETINGS:
Zetters, Clerkenwell Conference Centre, Clerkenwell Green, E.C., 11:00.
BOARD MEETINGS:
Finals:
Bridport-Gundry
Progmore Estates
Interims:
Albant Investment
Alexander Workwear
Brown (N)
Carbo
Goldsmiths
Silentnight
Time Products
Utd Overseas

■ THURSDAY OCTOBER 9
COMPANY MEETINGS:
Elbief, Prince of Wales Lane, Birmingham, 11:00.
BOARD MEETINGS:
Finals:
BWI
Chesterton International
Cradley Group
Kier Group
Interims:
House of Fraser
Morgan Grenfell Latin Am Trust
Ted Baker

■ FRIDAY OCTOBER 10
COMPANY MEETINGS:
Crown Eyeglass, Glenfield Park, Blakewater Road, Blackburn, 10:30.
Danae Investment Trust, 99, Charterhouse Street, E.C., 11:00.
Jones Stroud, The Donington Thistle Hotel, East Midlands Airport, Castle Donington, Derby, 12:00.
BOARD MEETINGS:
Finals:
Baillie Gifford Japan
Waterman Partnership
Interims:
BNB Resources

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

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Computer Systems

THIS WEEK

Pressure grows for legal overhaul

DATELINE

Brussels: Locals are becoming fearful as criminals appear to be getting away with murder, writes **Neil Buckley**

The pattern was always terrifyingly similar. An identical Golf GTi, having mysteriously evaded police road-blocks set up to catch it, would speed into a busy supermarket car park. Hooded men would leap out, and fire indiscriminately into the crowds with a pump-action shotgun.

As shoppers cowered, the gunmen would make a token attempt to rob the cash tills. But on more than one occasion, what booty they seized was later dumped.

Between the first raid on a gun shop in Wavre, south-east of Brussels, in 1982, and the final attack at a Delhaize supermarket in Aalst, north-west of the capital, in November 1985, 28 people died and hundreds were injured. Panic gripped Belgium and paratroopers were posted outside supermarkets in armed jeeps.

Twelve years on, Belgium's parliament will this month receive a report from the most comprehensive inquiry yet into one of Europe's biggest unsolved murder cases.

The investigation has heard hundreds of hours of evidence from 80 witnesses, reviewed 400,000 pages of documents and the latest police work involving DNA testing and hypnosis of victims.

But, even now, the report will be at a loss to identify the killers, or their motives.

Belgians may see the report as yet more evidence of bungling or deliberate cover-up by the authorities. The case of Marc Dutroux, accused of abducting, abusing and murdering four young girls – and believed to have benefited at best from police incompetence and at worst from protection – brought 300,000 protesters to Brussels last October demanding sweeping legal reforms.

Another paedophile case this spring, and revelations of political bribery, have combined with the Dutroux affair and Brabant killings to convince many that a network of sleaze and corruption lurks below the surface of Belgian society and its institutions.

While the crimes in the Dutroux affair and Brabant killings were markedly different, there are parallels between the handling of the cases. The parliamentary inquiry commission has heard of communication breakdowns, rivalry among investigators, neglect of victims and mysterious destruction of documents.

Faced with official inability to explain the killings, Belgians have developed sometimes wild conspiracy theories, which the latest inquiry set out to investigate.

First, and most widespread, was the theory that the attacks were terrorism carried out by far-right groups, which had military and police connections and aimed to destabilise the state.

The uncanny ability to evade road-blocks, and the fact that one attack was timed to coincide with a change of shift at the local police station, suggested the killers had inside knowledge of police movements.

A second theory was that the murders were not random, but blackmail or revenge attacks on individuals linked to so-called *ballets roses* – sex parties supposedly popular in the upper échelons of Belgian society in the 1980s.

Other lines of inquiry included links with Belgium's shooting ranges, with former members of the gendarmerie, or general police force, and other "politico-criminal" motives.

The 1,500-page report to be presented to parliament on October 20 is expected to reject any notion that the attacks were orchestrated by far-right groups or linked to *ballets roses*.

The best explanation it is expected to provide is that the killings were the work of a small, extremely violent fringe group whose ideology remains unclear.

But it will suggest that links with Belgian shooting ranges and former gendarmes – plus the possibility of loose ties with right-wing groups – should be investigated further.

Perhaps more important than the report's conclusions will be its recommendations for legal reforms.

It will say an end must be put to the "wars of the police forces", the rivalry between Belgium's judicial police, responsible for investigations, the gendarmerie and municipal law-and-order forces.

The whole functioning of the legal system, hampered by a lack of proper training and professionalism, and antiquated information technology, must be overhauled.

And, third, the report will call for modernisation of the police's approach to combating, and investigating, organised crime.

The recommendations will strongly echo those of a parliamentary inquiry into the Dutroux case, published in April. The latest report, says Jean-Jacques Viseur, a member of the inquiry, will increase the pressure for reforms.

In spite of bitter political differences over the issue between Socialists and Christian Democrats, Dutch-speaking Flemings and francophone Walloons, Belgium is studying plans to create a single national police force. That, say supporters, could form the basis for a modernised judicial system.

Jean-Luc Dehaene, prime minister, is expected to present his vision of the future police during a state of the nation address tomorrow.

But reforms will do little to comfort survivors of the attacks.

"Our fear is entrenched," one supermarket manager, injured in a 1983 attack at Halle, south of Brussels, told the inquiry. "Because we know nothing. Not who, not why, not how. And it could all start up again tomorrow."

The Monday Profile: Werner Seifert

Shifting the boundaries



In a lofty eyrie above Frankfurt's stock exchange, Werner Seifert, chief executive of Deutsche Börse, Europe's biggest financial market after London, puts down his pipe, leans forward and explains how to save the German economy.

"What is important is to have an efficient capital market where individuals can finance growth with capital at the cheapest cost," he says. "This can bring new dynamism to the economy, even change society, if people will take more risks."

Over the past month, the 48-year-old Swiss-born former management consultant has brought his ideas to a wider audience, sending shock-waves across Europe's financial industry as the man at the centre of a new alliance between the German derivatives market and its French and Swiss counterparts.

The link-up, which involves the merger of the Swiss exchange with Frankfurt and closer co-operation between Germany and Paris, is the biggest challenge yet thrown down by Frankfurt to London's rule as Europe's leading trading centre.

The plan is that members of the three markets will trade on each other's exchange, with no extra charge and on the same computer screen – effectively creating one large exchange.

This sharp consolidation of Europe's financial markets is viewed by many in the industry as an inevitable consequence of the approach of economic and monetary union. The Deutsche Börse and the London International Financial Futures Exchange have been portrayed as being locked in a titanic struggle for the remaining business.

Mr Seifert shrugs aside the rivalry with London. He prefers to see the European alliance as an extension of the strategy he has employed in Germany in the four years since being approached by a group of Germany's leading bankers – led by Rolf Breuer, chairman of Deutsche Bank, Germany's biggest bank – to take over at Frankfurt.

The essence of that strategy has been the development of computer-based trading. In contrast to London, which has stuck to its long tradition of open-outcry where hundreds of traders gather in crowded pits, Mr Seifert has steered Frankfurt in the direction of electronic dealing.

This, he explains, has reduced the transaction costs and effort that bankers and traders face when they want to trade. It has also enabled Frankfurt to "export" its market and grow internationally: it has installed its computer screens in London and Chicago allowing traders to deal long distance on the German bourse. Last month Vienna asked Frankfurt to run its share and bond markets.

Eventually, Mr Seifert's goal is a worldwide, "virtual" exchange covering most of the world's bourses. With quick and easy access to any exchange from almost anywhere in the world, individual markets would melt into the background.

As technology has improved, so Frankfurt has been able to gradually cut the cost of trading, piling up the pressure on London. Mr Seifert's latest project, the launch next month of a generation trading system, will increase the pressure further.

This is where the more competitive side of Mr Seifert comes in. He studied game theory as part of his doctorate in Hamburg before working for eight years at McKinsey, the management consultants.

"You take the fun out of Liffe," he jokes. "You lure them into a [technological] systems competition, but then if they switch to electronic trading, we beat them because we have six or seven years' head start. If they stay with floor trading, you hit them on the price."

This is fitting for someone committed to bringing a more effective market culture to Germany. One of his more memorable moments, Mr Seifert recalls, was spent sitting at the feet of Friedrich Hayek as the great thinker talked through the night.

And in another link to the academic world, he played in a rock band in the 1960s called Appleton, after the British scientist.

Mr Seifert's detractors accuse him of trying to kill competition by swallowing up Frankfurt's competitors. But he hits back, insisting that his way is the best strategy to achieve the most effective capital market.

Capital flowing more freely between regions and across borders would discipline workers to be more productive and force companies to be more innovative and competitive.

He and his colleagues enlarge on this thesis in his book *Equity. Labour. Growth* due out this week. A wider public will be able to judge if they agree with this man's ambitious vision.

Graham Bowley

FT GUIDE TO:

THE NEW TELEPHONY

Until recently, I'd never even heard of WorldCom. Yet now it seems to be taking over everything in its path. How is this possible?
WorldCom's shock bid for MCI last week signalled the beginning of a new era in which nimble newcomers, with a sharp appreciation of the way technology and competition are undermining the traditional telephone business, can upstage their bigger, more conservative competitors and – probably – get away with it.

What's the new technology and competition you are referring to?
Well, that's quite complicated. The new telephony brings with it its own jargon, its own clusters of acronyms and phrases. On the day it shook the industry with its bid for MCI, for example, WorldCom also bought a CLEC, otherwise known as a competitive local exchange carrier. These are local US telephone companies fighting for market share with the RBOCs, or regional Bell operating companies, which until recently have enjoyed cosy monopolies.

CLECs, and other telecoms operators building new networks, use *fibre optic* cabling rather than old-fashioned copper. Between 5m and 7m kilometres of fibre is laid around the world each year. Optical fibres transmit flashes of light rather than electricity with the advantages of capacity – 8,000 simultaneous conversations can be squeezed on to a single strand of glass – or *high bandwidth*.

What's high bandwidth?
Bandwidth refers simply to information-carrying capacity; high bandwidth, or *broadband*, systems are necessary to transmit multimedia: the moving video images, high fidelity sound and top-quality graphics that will characterise tomorrow's communications. Broadband is about the transmission of digital or computer-based information. The traditional telephone network, on the other hand, was optimised for analogue transmissions. Much of today's focus is on finding ways of breathing enhanced capacity into old networks.

WorldCom has been installing broadband fibre-optic cabling in loops around important financial centres in the US and Europe. For business customers, it makes economic sense to dig up the streets and lay fibre into individual buildings. For residential customers, however, high costs mean that the *local loop*, as this final connection between subscriber and exchange is called, will be copper for the foreseeable future.

Does this mean that retail customers won't be able to download video and so on?
Fortunately, technologies exist that enable these narrow lanes to pretend to be information superhighways. One approach is to install an *ISDN* (Integrated Services Digital Network) line, a fully digital connection which does away with the need to convert transmissions from digital to analogue and back again. That can greatly speed up, for example, access to the internet. Installation, however, is complex and expensive.

Telecoms operators have been experimenting with a technology called *ADSL* which gives a traditional copper telephone line (telephone engineers call it a *UTS* or unshielded twisted pair) more than 50 times the capacity of a conventional UTS. ADSL will be increasingly important during the next decade or so as a cost-effective way of delivering multimedia to the home.

When you say multimedia, are you talking about internet and such like?
The transmission of data – internet traffic is one example – is growing fast and should exceed the volume of voice traffic early next century. *Internet telephony* is already a threat to the revenues of traditional operators. Voice calls over the internet travel as small packets of data, each individually addressed. The technology to reassemble the packets into near-perfect voice conversations already exists.

Internet telephone calls can be made from computer to computer or, via an *IAP* (Internet Access Provider), telephone to telephone. Because charges on the internet are in the form of a monthly fee, an internet customer can make a call to anywhere in the world for the cost of a local call.

Is this the only innovation in voice calls?
No. Wireless is increasingly seen as a low-cost way of delivering telephony to the home and office. A number of operators and manufacturers are deploying *fixed radio links*, essentially replacing the copper local loop with a radio transmission system.

MEOs and *LEOs* (medium earth orbit and low earth orbit) are satellite-based mobile phone systems due to come into service at about the turn of the century which should allow telephone conversations at a reasonable price between any two points on the earth's surface no matter how remote.

The most controversial LEO is Teledesic, a $10bn (£6bn) venture in which Craig McCaw, a US mobile phone pioneer, and Bill Gates of Microsoft both have personal interests. It intends to send broadband signals between satellites 1,400 kilometres above the earth's surface creating an "internet in space". It will offer to carry traffic for other operators forming a natural adjunct to their broadband fibre-optic networks on earth.

Alan Cane

Gillian Tett · Economics Notebook

Yen comes out fighting

Moves are afoot to give the Japanese currency a larger international role



Shunji Nanjo, chief editorial writer on Japan's Yomiuri Shimbun newspaper, has a dream.

For the past few decades, he points out, the yen has punched well below its weight on the world stage: although Japan is the world's second largest economy, the yen has never acted as a leading reserve currency or a key trade reference.

But now, he suggested at a conference of European and Japanese journalists last week, the tide might be turning.

"It is time for Japan to show more regional leadership. In the coming years the yen will become much more important in Asia and the world," he argued.

The comment is striking – particularly since the Yomiuri Shimbun is an important opinion former in Japan.

Back in the 1980s, when the Japanese government strutted with confidence on the world stage, such calls for greater yen dominance were often heard. Indeed, some Japanese officials dreamed of the yen becoming the Asian equivalent of the dollar in Latin America.

But the collapse of the Japanese bubble pricked these ambitions. The use of the yen in the world in recent years has fallen. The proportion of international bond issues denominated in yen has halved in the past two years *(see chart)*. The yen's weighting in central bank reserves, which was never higher than 15 per cent, has been declining.

Even Japanese companies appear ambivalent about using the currency: according to the Ministry of International Trade and Industry, only 35.8 per cent of Japanese exports were yen-denominated in March 1997, down from 42.8 per cent four years earlier. Imports billed in yen have risen on a 10-year horizon, but in March only 18.9 per cent were yen-denominated.

Some Japanese officials suspect this barely matters. After all, though a more widely used yen could in theory give Japan more power in world markets, it already enjoys considerable influence as the world's largest creditor.

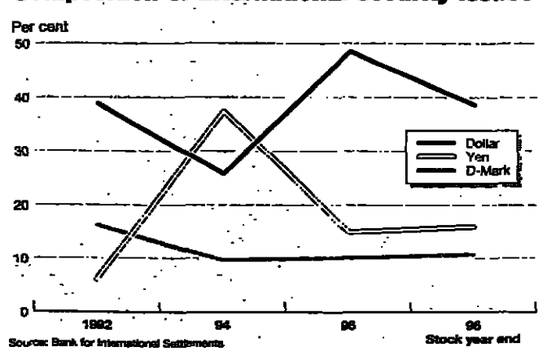
But this autumn a change is afoot. For quite apart from the Yomiuri Shimbun, some government officials are wondering if it is time for Japan to promote greater use of the yen again.

There are two reasons for this. One is Asia's recent currency turmoil. Until recently, most south-east Asian countries have tied their currencies to the dollar, partly because the US had traditionally been a significant export market.

But the recent events have left most breaking this peg. And some voices in Japan, such as that of Eisuke Sakakibara, vice-minister for international finance, think they should not return. Does it make sense, he asks, to keep using the dollar when nearly half of all trade in south-east Asia is intra-regional?

> Some Japanese officials dreamed of the yen becoming the Asian equivalent of the US dollar in Latin America

Composition of international security issues



Source: Bank for International Settlements

After all, he adds, this dollar link has left south-east Asian companies at a disadvantage in recent months as the dollar has risen against the yen.

But Japan has a second reason to feel defensive about the yen. It has accepted the yen's low international status because it had the comfort of knowing it was not alone: use of the D-Mark has also lagged well behind the dollar, and been only slightly ahead of the yen.

But European monetary union might change that. The European Commission, for example, says the euro will quickly rival the dollar as a reference for trade. It also believes it could become a big reserve currency, as central banks are forced to translate their various holdings of diverse European currencies into one unit.

These hopes may be wrong. Mr Nanjo's hopes for a revival of the yen, for example, stem from a belief that the euro will be weak. This, he argues, would persuade central banks to turn their D-Marks into yen instead.

But if this does not happen, the concern in Tokyo is that the yen's share as a reserve currency could fall further. As Shinji Yamada from NHK, the public television channel, lamented last week: "There is a risk of the yen being pushed into the third or even fourth league in the world."

So what can Japan do? It has little direct control over the degree to which the currency is used as a reserve currency by central banks: the Bank of Japan cannot simply bully its colleagues into holding more yen.

But it could act in two other areas. The first is international capital markets. One reason why yen issues are low is the excessive regulation in Japan's own markets, and its lack of a truly liquid, short-term debt market. In theory, Japan's big bang financial deregulation could change this. But an effective big bang might – possibly – provide one spur to greater yen usage.

The second issue is trade. In the past, Japan has been reluctant to open its doors to imports. This is changing. But without faster action, non-Japanese companies will have little incentive to price their goods in yen.

The situation in Asia, for example, is striking. Although Japanese officials say the proportion of intra-regional trade is rising, only two countries – Indonesia and China – sell more goods to Japan than the US.

Exports from China, South Korea, Thailand, Hong Kong, Singapore, Malaysia and Indonesia to Japan in 1996, for example, were $102.7bn (£63.3bn) – or 103 per cent higher than in 1990. But exports to the US were $142.1bn – 105 per cent higher, according to the International Monetary Fund's Direction of Trade Statistics yearbook.

Most south-east Asian countries, in other words, would be no better off using the yen as a peg than the dollar.

So does this mean that Mr Nanjo's hope for a rapid yen expansion globally are doomed? Perhaps. But this does not mean that the aspiration should be discounted – or discouraged.

For if the debate about promoting the yen does gather pace in Japan, this may encourage Japan to swallow its ambivalence about playing a leadership role in Asia. It may even spur attempts to raise imports and liberalise financial markets. In the last resort these moves can only be a thoroughly good thing.

MEXICAN INVESTMENT COMPANY
Société d'Investissement à Capital Variable
Siège social: 47, Boulevard Royal, L-2449 Luxembourg
R.C. Luxembourg B 31.888

NOTICE OF MEETING

Dear Shareholder,

We have the pleasure of inviting you to attend the Annual General Meeting of shareholders, which will be held on October 23, 1997 at 11.00 a.m. at the registered office at 47 Boulevard Royal, L-2449 Luxembourg, with the following agenda:

AGENDA

1. Presentation of the reports of the Board of Directors and of the Auditor.
2. Approval of the balance sheet, profit and loss account as of June 30, 1997 and the allocation of the net profits.
3. Discharge to be granted to the Directors for the financial year ended June 30, 1997.
4. Action on nomination for the election of the Directors and the Auditors for the ensuing year.
5. Any other business which may be properly brought before the meeting.

The shareholders are advised that no quorum for the items of the agenda is required, and that the decisions will be taken at the majority vote of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may act at any Meeting by proxy.

By order of the Board of Directors

LATIN AMERICAN INVESTMENT COMPANY
Société d'Investissement à Capital Variable
Siège social: 47, Boulevard Royal, L-2449 Luxembourg
R.C. Luxembourg B 40.168

NOTICE OF MEETING

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By order of the Board of Directors

The Financial Times plans to publish a Survey on

France

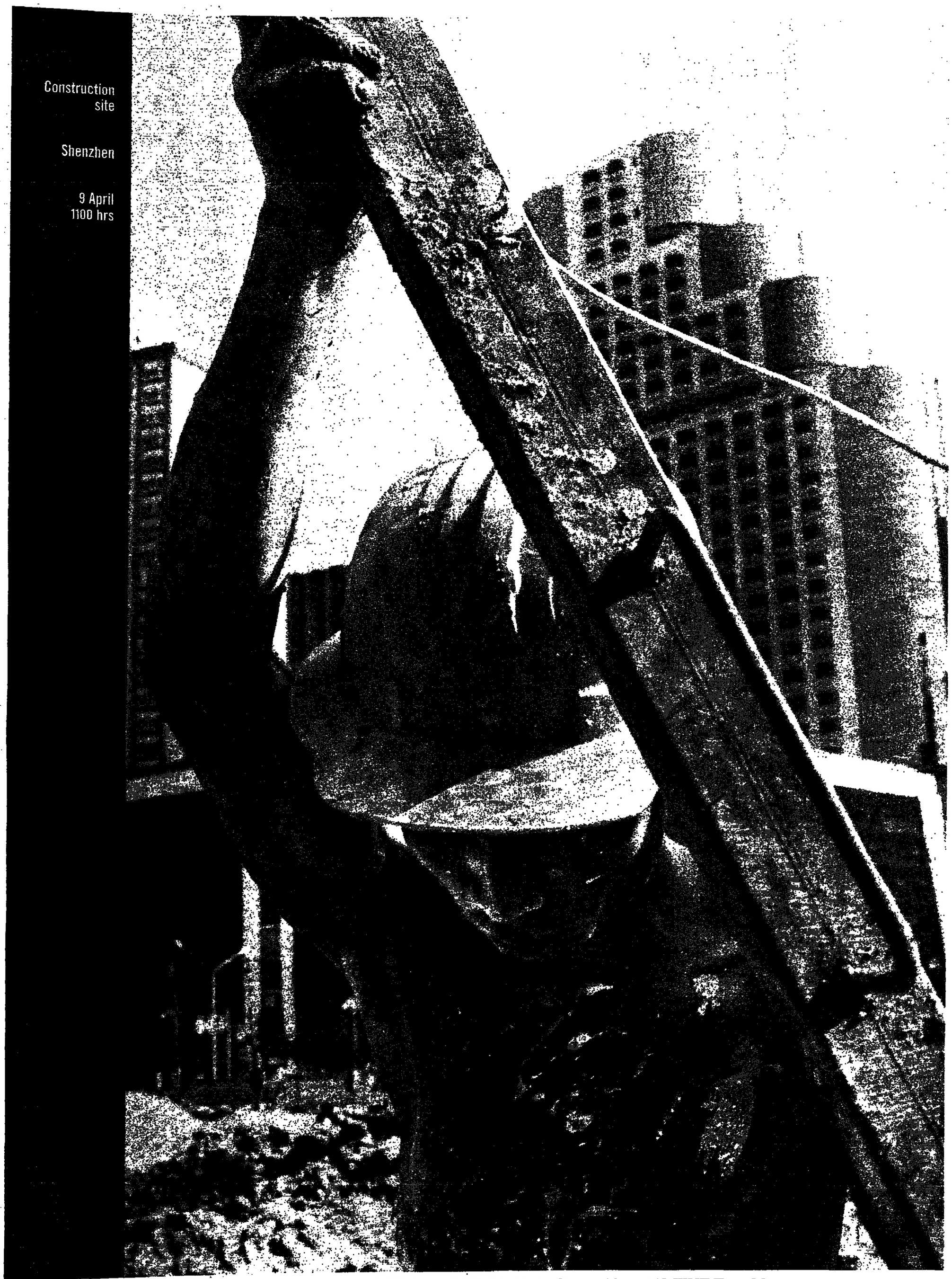
on Monday, November 3

For further information, please contact:
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One in five managers will be out of the picture at Kodak in the US, says **Richard Waters**

A return to downsizing

In Rochester, a town in upstate New York, Eastman Kodak still plays the role of corporate father, even after several rounds of job cuts that shook the confidence of the area in the late 1980s and early 1990s.

This company town once looked to Kodak for more than 60,000 jobs. Even now, the photographic products giant still employs 34,400 in the area, nearly two-thirds of its US workforce.

That history – and the company's revival in the mid-1990s under new management – has made Kodak a symbol of the decline and rejuvenation of American industry. It has also made George Fisher, who was brought in as chairman from Motorola four years ago, one of the spokesmen for a new generation of American management.

Mr Fisher arrived at the company with the message that there was no future in constantly cutting costs. He said the only real future lay in rekindling growth, which becomes impossible to achieve if constant retrenchment makes workers inward-looking and demoralised. This has since become the mantra for every US manager – and management consultant – as Corporate America tries to look beyond the era of downsizing.

Speaking in May, Mr Fisher complained that US companies had taken too callous an approach to their workforces. The cycle of downsizing and mass sackings had become "frightening and disheartening to way too many people". This posed a problem for managers everywhere. "What we've done in our workplace to our employees deserves very special attention – otherwise I think we've got an Achilles' heel," he added.

How quickly things change. It is Mr Fisher who is now wielding the axe again, bringing back the bad old days of retrenchment to Rochester. Faced with falling profits, the Kodak chairman has recently said he will prune middle and senior management ranks by getting rid of one in every five positions, or 200 jobs.

Kodak's return to job cuts reinforces the impression that downsizing is not just a passing phase

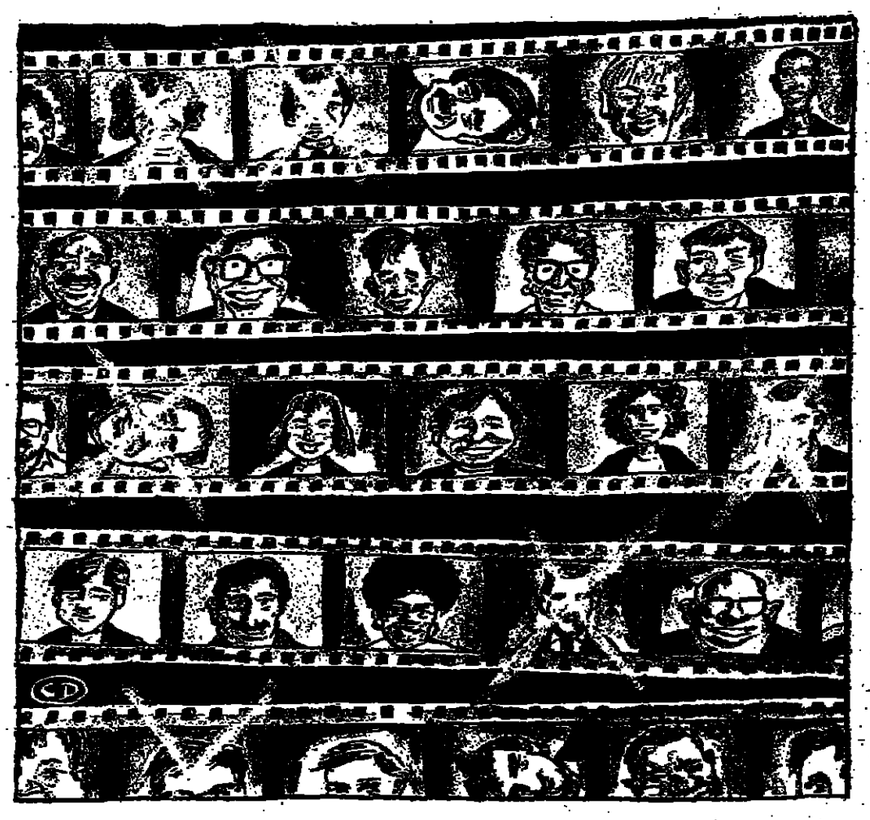
While the knife is first being taken to the officer class, further down the ranks the pain is likely to be equally acute, with some on Wall Street expecting up to 10,000 job losses. Kodak refuses to comment on the number of jobs that may eventually go.

That the company has returned to downsizing on this scale says something about the difficulty of breaking away from constant job cuts. Its push into digital photography is taking it into markets where it must compete with fresher, nimbler companies. Mr Fisher warned earlier this year that Kodak still had the top-heavy cost structure of a company created before the digital revolution arrived.

Kodak's return to cutting jobs also reinforces the impression that downsizing, more widely, has not just been a passing phase of the mid-1990s. "It seems to come in waves," says Lawrence Bossidy, chairman of Allied Signal, the diversified US manufacturer. "I don't think it will be as intense as it was in 1994-96 again." But he adds that it seems the pressure to increase efficiency is relentless.

What can companies do about the effect downsizing has on their workers? Speaking in May, Mr Fisher warned that "the level of workplace anxiety today is at a very unhealthy level". He added: "Somehow we have to renew our cultures as corporations."

According to Mr Bossidy, there are several things companies can do to forge a new social contract with their workers when no one has a guaranteed job for life, such as showing more respect for their personal aspirations and helping them establish greater financial security.



Other measures that can be taken to improve manager/worker relations include paying a competitive rate; training managers to be the sort of people who are "liked and respected" by their staff, rather than "resented and feared".

Mr Bossidy also advises management to be "as accommodating as possible to employees' lifestyles so as to remove the stresses caused by the demands of the job" – whether that means installing automated teller machines or setting up childcare centres.

Mr Fisher has been less specific about what he believes a model corporate culture in an era of downsizing should be like. In "a very turbulent, rapidly changing time", he said earlier this year, "what we need to give people is something they can depend on, something lasting". Every company, he added, "really needs to rethink what are the values and what are the operating principles that will be unchanging in time, so that we can truly establish a new contract with all employees – something they can really count on".

That is the sort of long-term project that will probably take a new generation of managers and workers to complete. In the meantime, an increasing number of US companies – including Allied Signal, but not yet Kodak – have set out to get more stock into the hands of all employees as a way of cementing the new social contract.

Bull markets, such as the present one, also help to alleviate some of the pain of being downsized. "If you'd held stock for a long time, you'd at least have a greater level of financial security," says Mr Bossidy. Allied Signal, he adds, has 2,500 employees who earn less than $80,000 (£49,700) a year, but who now have $250,000 or more in savings plans linked to their company's stock. But bull markets do not go on for ever, and job cuts and falling share prices often go hand in hand.

At Kodak, Mr Fisher and other executives with share options have had to live with a falling stock price for some months. The Kodak chairman was given a degree of job security – an employment contract extending to 2000 – and a package of share options early this year. These give him the right to buy Kodak stock at $90¾, its price when the options were granted. By the end of last week, however, the shares had fallen to less than $65.



John Kay

A world of difference

Globalisation may be successful for accountancy firms but it is wrong to assume everything is becoming more international

The world market for accountancy has become polarised around six firms, American or Anglo-American in origin, operating worldwide. Does this mean that the number will inevitably reduce to five, to four and ultimately to one?

Or that the same sort of polarisation will inevitably happen in investment banking, law, publishing, telecommunications and aviation?

The answer to these questions is an unequivocal no. Similar trends will emerge in some of the industries although not all. But if they do emerge, they will have quite different origins and rationale.

Analogies are useful in understanding how businesses evolve. But their validity depends on identifying specific common features of the industries compared, not on handwaving generalisations about historic inevitability.

What people mean by globalisation differs from industry to industry.

There is an important difference between globalisation as it is for Boeing, which produces for the world market from a single Seattle location, and globalisation as it is for Ernst & Young, which attaches an international brand to output which of necessity is a locally produced product.

Investment banks are similar to Boeing, and hotel chains similar to Ernst & Young. The model of centralised production is driven by economies of scale, and the model of international branding by the doubts and hesitations of customers who need to buy worldwide in unfamiliar environments.

That is why there are no local manufacturers of jumbo jets but – since hesitant cross-border purchasers of accountancy and hotel rooms are only a part of the market – there are many successful small local accountants and hoteliers.

And even these analogies need to be unpicked carefully. There are economies of scale in access to capital markets, which is why that side of the investment banking business is becoming more concentrated and globalised.

But investment banks also act as financial consultants, and there are no scale economies in that. So smaller boutiques will continue to thrive: large and small investment banks will just do different things.

Nor does the removal of trade barriers necessarily lead to bigger firms – only to industries based on competitive advantage rather than national preference. The growth of international trade and competition in the automobile industry benefited BMW and Honda as it damaged General Motors and Ford.

In telecommunications and aviation, the restrictions that once aligned the boundaries of companies with the boundaries of nations are fast disappearing.

But it is not obvious what follows from that. The rise of Southwest Airlines and EasyJet, of Kallback and Orange, may be more significant pointers to the ways these industries will evolve than BT's threatened relationship with MCI in Concert. Or the Star Alliance, the new association of United Airlines with Lufthansa and others. Presumably the Alliance's advertising agency intended no irony when it demonstrated that, in order to display the logos of all the participating companies, an aircraft would have to be so long and unwieldy that it could never hope to leave the ground.

How industry structures evolve depends, therefore, on specifics of technology and conditions of supply and demand. Audit – the product that remains the direct and indirect key to the profitability of accounting firms – is a very particular commodity.

No one really wants to buy it. It is not even like washing-up liquid, which no one really wants to buy but everyone knows they need. You buy audit only because others require it of you, and so your incentive is to buy the minimum that satisfies the requirements.

The only other similar commodity that comes to mind is motor insurance, and even then most people want the insurance. (There are also people who want the certificate that allows them to drive but do not care about insurance, and in the 1960s companies such as Fire Auto and Marine and Vehicle and General made a profitable business out of serving them until they were forced to close.)

It is this need for certification that explains why accountancy is characterised by tiers of almost indistinguishable firms. You can choose between Price and Young, Peat and Touche, Deloitte and Waterhouse, confident that each of them can do the job and feeling no need to have more than the job done.

And since audit is a function placed by the corporate head office, you want to entrust it to a single firm with global reach: preferably one with a principal office in London or New York, the cities with the largest concentrations of corporate head offices.

But there is no other industry where that particular combination of factors applies. Insurance broking probably comes closest. Even law – an industry obsessed by the accounting analogy – is in reality very different.

The distinction between the best and the good matters far more in law than in audit. And while there are some areas of legal practice – such as multinational acquisitions – where a single centrally controlled process is necessary, there are rather more areas of law where this is not true.

Law, therefore, will remain less international and less concentrated than accountancy. Leading law firms are more differentiated from each other than accountancy firms and their profitability is based not on size but on specialist skills.

The most lucrative legal services businesses – tiny, measured by their share of the world legal services market – are the chambers of the leading commercial barristers.

Ambitious managers are so anxious to believe that everything is becoming larger and more international that everything is assumed to point in that direction.

Yet if the changes in technology that increase scale economies in investment banking and aviation lead to greater concentration, it can hardly be true that the changes in technology that reduce scale economies in publishing and telecommunications have the same effect.

The point is not that there are no valid generalisations about business, but rather that there are no valid generalisations about business that are independent of facts about different industries.

The author is the Peter Moores director of the Said Business School at Oxford University and a director of London Economics. This column appears fortnightly.

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R.C. Luxembourg B 51.221

NOTICE OF MEETING

Dear Shareholder,

We have the pleasure of inviting you to attend the Annual General Meeting of shareholders, which will be held on October 23, 1997 at 11.00 a.m. at the registered office at 47 Boulevard Royal, L-2449 Luxembourg, with the following agenda:

AGENDA

1. Presentation of the reports of the Board of Directors and of the Auditor.
2. Approval of the balance sheet, profit and loss account as of June 30, 1997 and the allocation of the net profits.
3. Discharge to be granted to the Directors for the financial year ended June 30, 1997.
4. Action on nomination for the election of the Directors and the Auditors for the ensuing year.
5. Any other business which may be properly brought before the meeting.

The shareholders are advised that no quorum for the items of the agenda is required, and that the decisions will be taken at the majority vote of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may act at any Meeting by proxy.

By order of the Board of Directors

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Bermuda

on Monday, November 3

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Fax: +212 319 0704

or your usual Financial Times representative

FT Surveys

The many layers of business hostility



Lucy Kellaway

Who said last week: "Business people in a group are among the most unpleasant you could run into – powerful, arrogant, complacent and quite narrow"?

Anita Roddick, perhaps? She certainly shares the sentiment, though the words sound a little sober for her. But failing the Body Shop queen, it is hard to see who would wish to be associated publicly with such a hostile view. It could not have been a Labour politician as the government is desperately trying to cosy up to business. Even trade union leaders are careful what they say these days. Whatever anyone feels in private, no one is prepared to attack business people in the abstract – any venom directed towards them tends to be saved up and vented only over the fat cat issue.

Indeed such an attack could only have come from within, and then the field is narrowed to one – Chris Haskins. The chairman of Northern Foods seems to be Britain's only outspoken businessman left, and he was on top provocative form in an interview with the FT last week.

But is he right to dump on his fellows? Are business people really more powerful, arrogant, complacent and narrow than the rest of us? I doubt it. Consider a group of journalists, actors, doctors, lawyers or politicians. Many possess these unpleasant characteristics and can also do a fine line in bellyaching. Groups of people who practise the same trade are always ghastly to encounter – Haskins should simply get about a bit more.

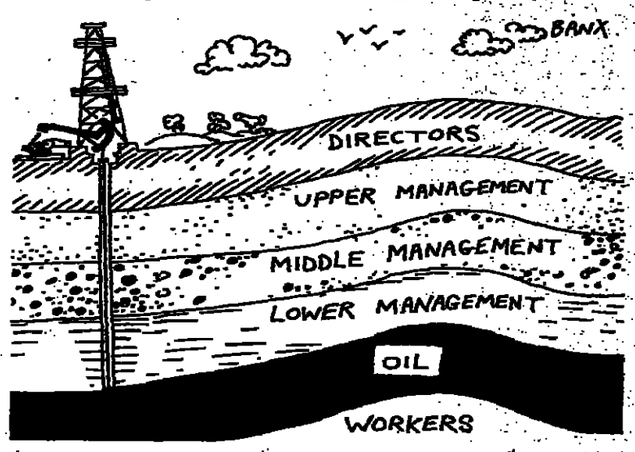
The chairman of Northern Foods was on more solid ground last week at a fringe meeting at the Labour party conference in Brighton when he dared to question prime minister Tony Blair's jingoistic waffle about making Britain great again. "This brand is not worth reinventing," he said.

His remarks went down rather badly with Terence Conran who wrote to the FT citing his own restaurant, Quaglinos, as an example of a British brand that had been "reinvented by new management and new creativity. This is exactly what we now have in the shape of this government."

Mr Haskins' view strikes a chord; whereas the less said about Mr Conran's letter the better. However, they are both wrong. Britain is not a brand that can be invented, reinvented, or junked, come to that. It is not a restaurant or a packet of biscuits. It is a country, and therefore something entirely different.

"The answer is yes. What's the question?" The chaps at BT may be regretting the smug tone of the advertisement that appears in the current issue of Fortune magazine. The point of the ad was to brag about how big and brilliant Concert plc would be, and how it was going to be the "most positive" communications company in the world. But before the magazine had hit the newsstands MCI had had a better offer and the cocky arrogance was looking sadly misplaced.

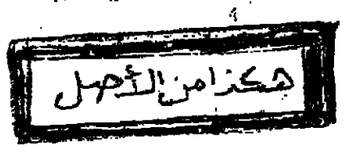
In any case, the message was boneheaded. "At BT there's no such word as no," the advertisement bragged. What? "No" strikes me as a pretty vital part of any vocabulary – especially a corporate one. I wonder if BT's trade unions are aware of the happy news that the company has vowed never to use this negative little word ever again.



The old business hierarchies are a thing of the past. Or are they? Last week Shell announced yet another monster reorganisation – this time of its European Oil operations. It said that 28 general manager positions and up to seven layers of management were to be done away with. This is quite shocking. It is hard to believe the company had so many general managers and layers to begin with – let alone so many dispensable ones.

Shell is seen as one of the best managed companies we have. Moreover, it has traditionally led the field when it comes to reorganisations. So if the oil giant still has all these useless layers hidden away, how many do other companies have?

The latest euphemism for a cock-up: a fulfilment error. This import from the US works particularly well in the context in which I encountered it last week. In a letter to journalists, a US PR company explained: "Due to a fulfilment error on our part, you were inadvertently sent a copy of a previous report on binge drinking." The report that should have been sent was on health warning labels.



BUSINESS EDUCATION

Della Bradshaw finds there is life after business for the executive-in-residence

Boardroom to classroom

Universities boast poets-in-residence; festivals and concert halls claim musicians-in-residence; and everything from the public library to the local swimming pool can have its own artist-in-residence.

So it should be no surprise that Columbia business school, in New York, has its own executive-in-residence. Or, more precisely, has nine executives-in-residence.

Ehud Houminer is one of them. As former president and chief executive of tobacco company Philip Morris USA, Mr Houminer is as well qualified as any to assume the residential role.

This role ranges from lecturing to giving advice to students and helping with fund-raising for the school. "We represent continuity; all the rest is a moving show out there," says Mr Houminer. "When a student comes to me with a problem I remember 20 similar conversations I had with former students and I know what happened to each of them."

Mr Houminer is reluctant to pick out the most important function of the executives-in-residence. "I really see it as a whole. I see it as a total experience."

Student counselling, however, is undoubtedly one of the most significant roles and explains why the executives-in-residence all have offices in the career development department.

Mr Houminer alone sees about 150 students every semester. That is small fry compared with his colleagues who have retired from the world of banking or consulting: Richard Doyle was vice-chairman of the board at Chase Manhattan; Robert Callander was president of Chemical Bank; and John Rhodes was vice-chairman at consultants Booz Allen & Hamilton.



Ehud Houminer is one of nine executives-in-residence at Columbia

With banking and consulting the preferred jobs for many students, each of these is likely to see between 600 and 800 students a year, all seeking career advice.

All the executives-in-residence are retired or semi-retired. Mr Houminer, for example, decided on his 50th birthday that he had had enough of corporate life and was persuaded by a former dean at Columbia to co-teach a programme at the school. For Mr Houminer things have flourished from there.

Retirement aside, the executives-in-residence have little in common. Indeed, Mr Houminer argues that one of the advantages of setting up the scheme at Columbia, on Manhattan, is that New York gives the school access to a huge range of executives with very different backgrounds, many of whom would be happy to participate.

"What is interesting is that you can't speak about executives-in-residence as a monolith any more than you can about the faculty or the students," says Mr Houminer.

While they all sit on campus two to three days a week, some concentrate on counselling, others act as guest speakers while others give lectures. Mr Houminer teaches the most, on four or five separate courses in corporate strategy and international business strategy.

One of the highlights of Columbia's MBA calendar is a course in leadership which is jointly taught by all the executives-in-residence with the dean of Columbia, Meyer Feldberg. The course has proved so popular that the school has had to limit participation to those students in their final semester of the two-year programme – and even then many are disappointed.

Diplomatically, Mr Houminer says that the executives-in-residence come to the leadership course with such different experiences that there are no clashes about what makes a good leader. However, Prof. Feldberg concedes that there can be a few differences of opinion.

Although Prof Feldberg inherited the executive-in-residence programme from a predecessor, he is still a great fan of the scheme. "These men and women have no agenda. Their only aim is to help the students."

The nature of the programme and the role of the executives-in-residence is evolving as additional members join the group. The latest is Carol Simmons, the first woman executive-in-residence and an investment banker.

Mr Houminer says he benefits personally from the scheme too, particularly from the research he has to do in preparation for his lectures. "I never realised how long it took to prepare for a lecture. A lecture can take 20 hours to prepare for. You can't just stand there and tell 'war stories'. That takes just 20 minutes." Moreover, Mr Houminer reckons he has made "a couple of hundred good friends" on the way.

The role of executive-in-residence undoubtedly suits managers such as Mr Houminer, who as an MBA graduate himself (from Wharton) finds the university life stimulating, more than those who are concerned with status or remuneration. "I don't mind the change from private planes to doing my own photocopying," concludes Mr Houminer.

Nice course, shame about the facilities

When most people choose a business school they look at the relevance of the course, the reputation of the faculty and the experience of their fellow participants. But how does your business school measure up when it comes to the quality of the food or the standard of accommodation?

Write and tell us what the creature comforts were like on the courses you attended or are attending – be it a two-year degree programme or a two-day executive course.

Did the food at the Parisian schools such as Insead or HEC reflect their situation in the gastronomical capital of the world? The chef at London Business School has won an award for his puddings, but do his soufflés measure up?

Is the ambience of some of the big rural schools, such as Darden, in Charlottesville, Virginia, or the Amos Tuck school in Hanover, New Hampshire, more conducive to study? Does the night-life at Columbia or Stern, in New York, make up for the difficulty in finding local accommodation?

Does your business school desperately need a fitness centre or a swimming pool?

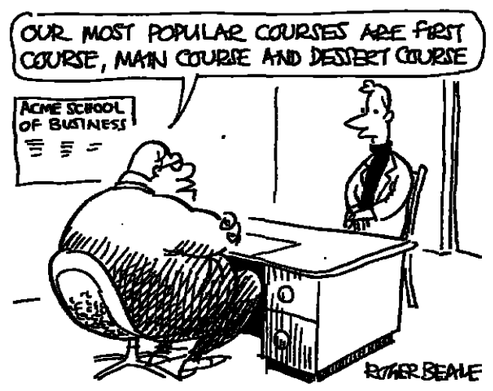
The exercise is not just a frivolous one. Increasingly business schools are trying to attract executive students by building plush accommodation blocks which can compete with local hotels. These residences, which usually cater for conferences and have executive teaching rooms as well, can be a business proposition in themselves. Chicago graduate business school, for example, makes $2.7m (£1.7m) a year from its Gleacher conference centre.

But would you rather stay in the local hotel?

All business schools are trying to attract more international students but not all of them are adjusting their menus to suit the new clientele. Does your business school, for example, have an approved vegetarian menu?

We will be publishing the best responses we receive and embarrassing the schools who get the most praise and the most criticism. Senders of the best submissions will win a bottle of liquid refreshment. (Best quality, of course.)

DB



NEWS FROM CAMPUS

Double degree for engineers

Technologists who want to stay in their chosen field, yet still study for an MBA, are the target group for a course which will be piloted at the Wharton school at the university of Pennsylvania from the summer of 1998.

The dual engineering and business degree will be a full two-year programme, with students studying a series of courses in the engineering department over the summer before they join the other MBA students in September. During the second year of the course participants will be expected to study elective courses in technology and complete a related project.

Participants will need to have a technology or science degree to be considered and those with a doctoral degree in science may be eligible to study a shortened, or accelerated, programme.

Patrick Harker, professor of operations and information management at Wharton, says the course is intended to "bring in people who might not ordinarily think of an MBA". Some graduates, who will receive both an MBA and a masters degree in a science or technology subject, will start their own companies, predicts Prof Harker. Others will go into consulting or will be entrepreneurs, he says.

Wharton: www.wharton.upenn.edu/

Acting on intelligence

The Ashridge management college in the UK is holding a one-day workshop on November 7 intended for senior managers who want to exploit the continuous flow of information to which they are subjected. The workshop, *Competitive Intelligence – Prelude to Executive Action and Decision-Making*, will be led by Douglas Bernhardt, managing consultant for the Business Research Group, in Geneva.

Ashridge: www.ashridge.org.uk

Home-made universities

European companies lag behind their US counterparts in the development of corporate universities, but are beginning to move quickly into the field, according to a report to be published by the European Foundation for Management Development, the business school trade body.

Although European companies are reluctant, often due to local legal restrictions, to call their training organisations "universities", they will enter the market while the economic cycle continues to rise, according to the report's author, Allan Mitchell. The benefits to the company include a faster adoption of new strategies and a stronger sense of corporate values.

EFMD: www.efmd.be

From Coopers to Cranfield

Cranfield university school of management has appointed Allan Waller, senior logistics partner at management consultants Coopers and Lybrand, to be director of the Cranfield Centre for Logistics and Transportation. Mr Waller will develop areas such as the globalisation of the supply chain.

Cranfield: www.cranfield.ac.uk/som

Information for News from Campus should be sent to Della Bradshaw, FT, Number One Southwark Bridge, London SE1 9HL
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Commercial Telecommunications for Electric Utilities - Conference & Exhibition
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High level: PennWell C&E, Elly Kreijkes Phone: *31-30-26 50 963 Fax: *31-30-26-50-928
Amsterdam, THE NETHERLANDS

OCTOBER 15-16
Strategic Skills for the Finance Function
This conference is specifically designed to help Finance Directors develop the new skills required to go beyond traditional finance activities and take on a broader, value-adding role within their organisations. Contact: Kate Jenkins at Business Intelligence
Tel: 0181 879 3355 Fax: 0181 879 1122
E.mail: kate.jenkins@business-intelligence.co.uk
LONDON

OCTOBER 14
The 1997 ICAEW Buying & Selling Unquoted Companies Conference
Gain insight into buying or selling unquoted companies, a proven framework for the whole process and an up-to-the-minute awareness of the tax and legal issues involved are essential. Following the election of a Labour government, tax aspects are likely to be changed and delegates will be updated on the latest developments. The conference has been designed for corporate acquirers, business owners and professional advisers seeking comprehensive knowledge about the buying and selling process. *Speakers Include:* Barrie Pearson, Executive Chairman, Livingstone Guarantee plc, Keith Eamer, Consultant, Moores Rowland, Douglas Llambias, Chief Executive, The Business Exchange, Andrew Sherratt, Partner, Dibb Lupton Broomhead.
For further details, please contact:
Accountancy Courses & Conferences - Customer Service Department
Tel: 0171 920 8605 or E-mail SKyriacou@icaew.co.uk - quoting ref: FTBS1410
LONDON

OCTOBER 15
Transfer Pricing Come of Age
The seminar will address the implications of the draft legislation covering transfer pricing for companies after the issue of the most consultative document by the Inland Revenue. Transfer Pricing has the potential to become the most burdensome compliance issue for companies. For this reason, business must play a part on shaping the rules (to minimise bureaucracy and cost) and act swiftly to implement both a transfer pricing policy and adequate record keeping. Key factors concerning these issues will be under discussion - a MUST for all members in business & industry. *Notes speakers include:* Chris Rolfe, Mike Goodbee, Keith Sparkes, Coopers & Lybrand, Bob Wightman & Kevin Hamer, Inland Revenue (*subject to publication of consultative document*), Michele Faull, ICL.
For further details, please contact:
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OCTOBER 16-17
The 1997 ICAEW Practical Corporate Tax Conference
There is rarely a year when the world of tax stands still, and 1997 is no exception, with complex new legislation in the 1997 Finance Act and a new government promising further change. So many of these changes affect companies, tax advisers in industry and practice need to keep constantly abreast of developments. The Conference is designed to help you do that. Current and relevant topics are addressed by a group of eminent speakers. Andrew Thornhill QC, Pump Court Tax Chambers, Ken Ellerington Head - Group Taxation Manager, BAT Industries, Peter Rayney, Tax Partner, Moores Rowland, Lorraine Parish, Partner - VAT, Robson Rhodes, Tom Murray, Partner KPMG, Helen Riley, Partner - Tax Technical, Robson Rhodes, Glen Fullelove, International Tax Partner, Robson Rhodes, Peter Cussons, Chairman, International Tax Sub-Committee - Tax Faculty ICAEW, Senior Partner - International Tax, Price Waterhouse, Alun James, Tax Counsel, Tax Chambers, Michael Templeman, Group Tax Director, Schroders Group, Sarah Gillings, Partner & Simon Yates, Associate, Simmons & Simmons, Reg Nock, Barrister, Deloitte & Touche.
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Conferences & Exhibitions

OCTOBER 16
Denton International / IEPRC Electronic Commerce Seminar
For senior executives and publishers wanting to maximise financial returns on content in an uncertain regulatory yet global digital environment. Commission perspective provided by Head of DGXIII-E2, Luxembourg, George Papapavlou.
Contact: Jane Stretton, Denton Hall
Tel: +44 (0)171 242 1212
Fax: +44 (0)171 320 6647
Email: jckelton@dentonhall.com
FRANKFURT

OCTOBER 16/17
A Technical approach to FX trading
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Tel: UK 44 (0)1732 463014
Fax: UK 44 (0)1732 463015
e-mail: training@lywood-david.co.uk
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OCTOBER 21-22
Corporate Agility 97
Corporate agility and resilience are key requirements to compete successfully in the current climate of continuous change. Recognised experts and leading organisations gather together to examine how best to implement, manage and support change for sustainable advantage. Contact: Kate Jenkins at Business Intelligence
Tel: 0181 879 3355 Fax: 0181 879 1122
Email: kate.jenkins@business-intelligence.co.uk
LONDON

OCTOBER 21 & 23
1997 PlanEcon Fall Seminar Series
Anticipating Market Opportunities in Eastern Europe and the FSR. PlanEcon and DRI/McGraw-Hill assess the region's investment climate in the automotive, energy, capital, and financial markets. Vienna Seminar (Oct. 21) co-sponsored by GiroCredit/First Austrian Bank.
Contact Corinne Redonnet
Tel: +44 0181 545-6212
www.planecon.com/conferences.html
VIENNA & PARIS

Conferences & Exhibitions

OCTOBER 22
Robson Taylor Seminar on Tax Efficient and Effective Remuneration Strategies
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Conferences & Exhibitions

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Creativity is back in fashion

"In the 21st century," prophesied Tony Blair recently, "we are going to see the world economy dominated by the exploitation of creative minds."

This, it has to be said, is not one of our prime minister's most prescient premonitions. Futurologists have been predicting the imminent advent of "the era of creativity" for years. And nowhere has their vision been welcomed more zealously than in advertising.

But it wasn't always so. In his seminal book *Confessions of an Advertising Man* – published in 1963 and still the best book on advertising ever written – David Ogilvy, founder of Ogilvy & Mather, wrote: "I tell new recruits that I will not allow them to use the word creative to describe the functions they are to perform in our agency."

He goes on to quote similar views from many of the leading admen of his day, including Fairfax Cone, the founder of Foote, Cone and Belding. Today FCB is the largest, and arguably the most creative, agency in the US. Yet its founder then said he "would like to blot the word creativity out of our lives".

As Mr Ogilvy and the others were among the most "creative" advertising men ever to practise their arcane art, it is worth exploring the reasons for their antipathy to creativity. And equally worth exploring why things have changed.

Nowadays advertising people espouse creativity as passionately as mediaeval monks espoused self-flagellation and – having taken no vows of silence – talk about it endlessly. Part of Mr Ogilvy's hostility was doubtless caused by a dislike of the self-indulgence the word "creativity" so often inspires.

But there were also more fundamental causes. In Mr Ogilvy's days, clients paid agencies a fixed 15 per cent of everything they spent on advertising. For clients with sizeable budgets, the bald truth is that this was far too high a price to pay simply for the creation of advertising campaigns and the buying of media.

But admen, not being saints, were disinclined to give any money back to their clients. Instead, they spent the surplus between the 15 per cent they were charging and the creative costs they were incurring on providing clients with a cornucopia of ancillary services.

For free, or for very little, agencies offered strategic counsel as well as below-the-line promotions; they provided market research, pack design, direct marketing and public relations as well as merchandising and market analysis. Clients leaned heavily on their agencies for almost every kind of marketing help.

But from the 1980s onwards, the advertising agency world changed in four profound ways. The changes are still reverberating through the business, making many of today's leading advertising panjandrums neurotically (though pointlessly) apprehensive.

First, the 15 per cent commission system cracked, and the buying of media ceased to be handled in-house by traditional agencies. WPP's recent launch of a media buying specialist called Mindshare is only the latest manifestation of that continuing seismic schism.

Second, most of the ancillary services that agencies provided became increasingly sophisticated and complex. So they broke away from their agency parents and became independent businesses – market research and sales promotion companies, direct marketing and public relations specialists, corporate design houses, and so on.

Third, the professional management consultancies emerged and took over the agencies' rather amateur attempts at business consultancy.

Finally, a new generation of clients grew up, with marketing skills and experience of their own – clients who believed big companies should not have to lean on their agencies but should run their marketing themselves.

Knowledgeable clients, the growth of management consultancies, the separation of ancillary services and, above all, smaller margins have forced agencies to focus ever more narrowly on their core skill: the creation of outstandingly effective campaigns, based on a profound understanding of the marketplace. But that understanding is broadly advertising-related; it is not general consultancy.

In short, until the late 1970s, the leading advertising agencies were marketing communications conglomerates, and so eschewed the suggestion that their sole *raison d'être* was "creativity". This is no longer the case. Today advertising creativity is *exactly* what agencies offer. Advertising creativity grows more important, more difficult and more subtle. And clients know that.

None of this is reversible. That is why it is pointless for advertising panjandrums to fret about it. The way to make progress, as most of the marketing communications holding companies have spotted, is not for advertising agencies to go backwards, but for holding companies to go forwards.

The marketing communications companies are building groups of expert specialist companies which can provide clients with all the marketing services they need, in the way that clients wish to buy them.

Never again will clients embrace the exhausted 15 per cent commission system under which agencies provided a plethora of services "for free". Nor, in my view, is there any reason why these services should come from *advertising* agencies at all.

The author is chairman of Bozell UK Group.

BRANDING

Merger unites diverse abilities

John Willman looks at the benefits of a complementary link-up

Two of the UK's leading brand consultancies will today announce a merger to create the world's largest business dealing with branding, corporate identity and brand valuation.

Interbrand, the fast-growing consultancy owned by Omnicom, the US marketing and services group, is to merge its UK business with Newell and Sorrell, which devised the controversial new corporate indentity for British Airways.

The new firm, Interbrand Newell and Sorrell, will be part of the Interbrand Group with turnover of £50m ($81m) a year and 600 staff in 15 offices worldwide.

The merger reflects the rapid growth in consultancy services offering advice on creating, developing and valuing brands, which are seen as vital to corporate success.

"Any company competing in home or world markets needs to differentiate itself from its competitors," says John Sorrell, the chairman of Newell and Sorrell. "Brands can give them a competitive advantage in the eyes of the customer and help motivate their staff to win."



Brymer (left) with Sorrell, who will chair the new business

The two businesses are uniquely complementary, says Charles Brymer, Interbrand chief executive. The merged group will have marketing consultants, graphic designers, brand valuation experts, product development specialists and trademark lawyers.

"We will have the resources not only to advise on branding strategies and valuing brands," says Mr Brymer. "We will be able to help them develop new products in a fast-moving world."

Interbrand is the larger of the two partners, with 500 staff – 100 in the UK. It is represented in all five continents, with offices in cities such as Singapore, Seoul, Jakarta, Sydney, Bogotá and Johannesburg as well as New York, London and Milan.

An early assignment was for British Leyland, the UK carmaker which is now BMW's Rover group, when it devised the names Metro, Maestro and Montego for saloon cars.

In 1988, it valued Rank Hovis McDougall's brands for inclusion on the company's balance sheet – the first time a company had valued acquired and home-grown brands.

It has devised corporate identities for BMW, Compaq and Zeneca among others and has helped in naming products for Ford and Glaxo Wellcome. It devised Zespri as a brand name for New Zealand kiwi fruit.

Newell and Sorrell has 100 staff in its two offices in London and Amsterdam. Its strength lies in design and corporate identity. The firm has won more than 60 awards for creativity and effectiveness in the UK, US and continental Europe.

Mr Sorrell, who will chair the merged business, has long advocated better design standards. He is a former chairman of the Business Design Association and has chaired the Design Council since 1994.

His firm's clients include Schweppes, Rabobank, Pharmacia & Upjohn, Seagram and Unisys. Its redesign of British Airways' corporate identity attracted controversy in the UK for dropping the Union flag in favour of 50 designs reflecting the art of different communities.

REBRANDING

Scoot disconnects telephone

Adopting an initially implausible and uninformative brand name for new consumer goods and services has been popular recently in the UK. But the process that produced Orange as the name for a mobile telephone operator and Goldfish as a credit card brand is moving a step further with the rebranding of an existing service.

Later this month, the Freepages name and its associated yellow telephone logo will no longer be the branding of the telephone information service. In future the service will be called Scoot and will be identified with a round-eyed purple blob.

While the campaign itself is relatively small – Freepages' annual UK marketing budget is no more than £10m ($16m) – the renaming raises broader issues about the role branding can play in business expansion.

When Freepages started in 1993, it benefited from the way its name and logo immediately linked it with the longer-established directory information services of Yellow Pages and Talking Pages. This year, however, the company began working with brand consultancy Wolff Olins to differentiate itself from its competitors.

More than 90 per cent of the company's revenue comes from its core telephone classified information service, but it wants to develop into other distribution channels and to become more involved in compiling databases. Its new identity had to be able to embrace these areas.

"It had to be futureproof," says Martin van den Oetelaar, Freepages' international marketing director.

Although the information is free to consumers, as the company develops extra, added-value services on the internet, it may start to charge.

"We don't think being free is attractive as such. We would like to be valuable."

The company was looking for a name that used a double "o" so that it could link it with the 00 element in freephone numbers.

It was also looking for a brand it could use across Europe. Scoot has already been launched in the Netherlands through Freepages' joint venture with Dutch publisher VNU. It plans to enter Belgium next year.

Jane Wentworth, team leader on the project at Wolff Olins, said the European issue added two elements to the branding, which restricted the choice: first, the name had to be easily pronounceable and free from embarrassing connotations, and second, it had to be available for registering throughout Europe.

The name is the same, but the advertising is taking very different paths. In the Netherlands, the television advertisements feature the "Scootman".

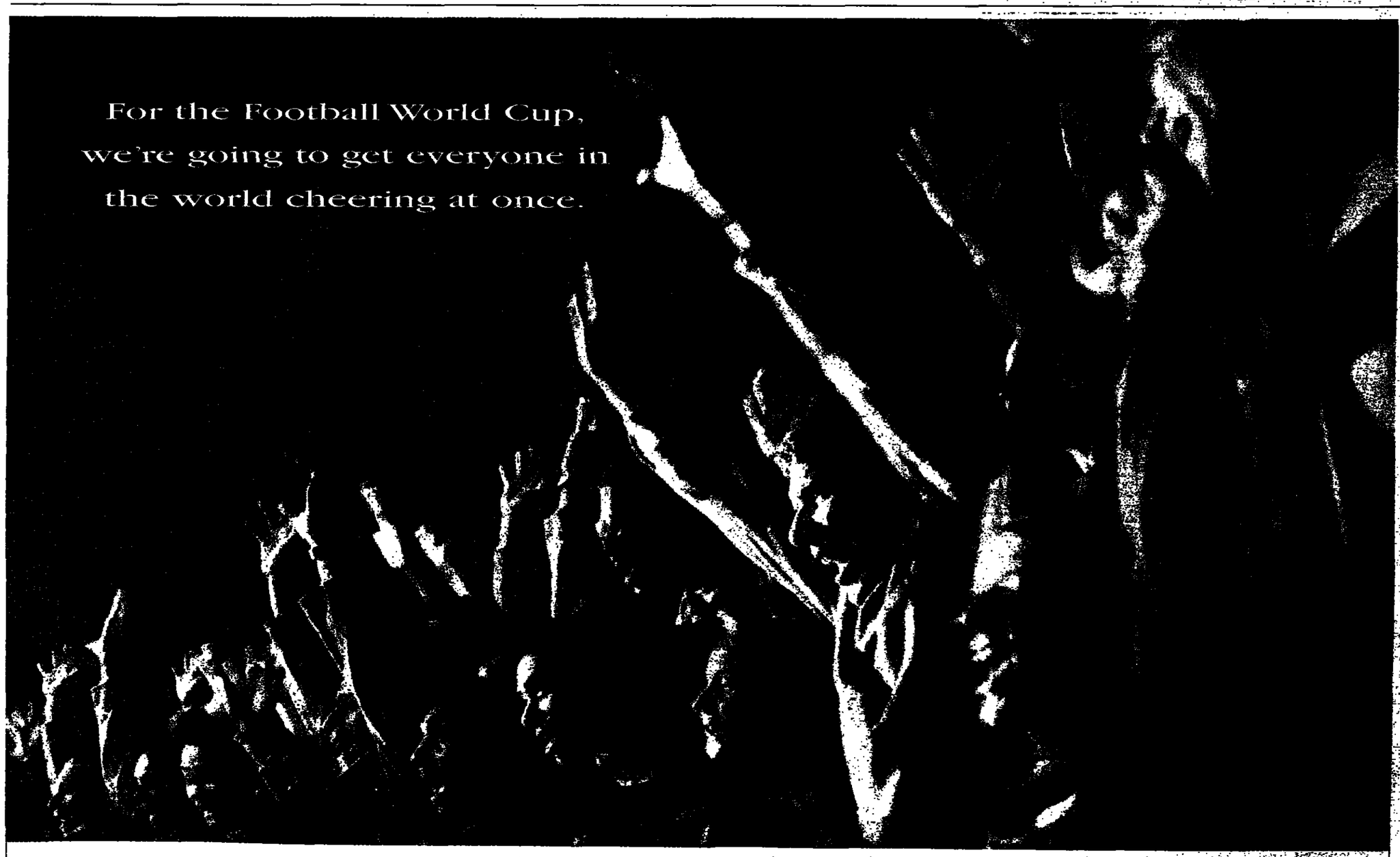
The UK advertising, executed by Wolff Olins, takes a different tack. It is based on the idea of consumers deciding what they need and Scoot facilitating whatever that is.

Against the current background of increasing convergence in how the same brand is advertised across different European markets, this approach leaves unusual room for divergence, and the risk that this undermines the common brand.

Having acknowledged that, Ms Wentworth says there are fairly specific guidelines about how to use the identity.

For a telephone service which is all about connecting people quickly with the information they need, this does not seem a moment too soon.

Alison Smith



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LOGOS

Shamrock triumphs over 'alligators'

Attempts to change Ireland's traditional shamrock backfired, says **John Murray Brown**

It was described by Jim McDaid, Ireland's new tourism minister, as a pair of dancing alligators. Others, less charitably, likened it to the stain left by a glass of Guinness.

The refashioned Irish tourism logo, part of a I£32m (£29m/$46m) joint marketing effort with the Northern Ireland Tourist Board, was launched last November by Bord Failte, the Irish tourist authority.

It was the first campaign to treat the whole island as a single holiday destination – and the first time anywhere that two countries have run a joint advertising campaign.

The logo has now been discarded. The minister called last month for the return of the shamrock, the three-leafed plant that has long been Ireland's traditional symbol.

Bord Failte's own research had shown that although the shamrock was widely recognised in Ireland and in Irish communities in the US, it had less profile outside those markets. In Germany, for example, it was the symbol of a food company.

Noel Toolan was drafted in from GrandMet to become Bord Failte's *international marketing* director and the man behind this multi-million pound makeover.

The Irish industry is enjoying a boom, with revenues growing at 15 per cent a year. Since 1988 tourism has accounted for one out of every three new jobs in the economy.

Ireland was suddenly fashionable. The Northern Ireland peace process had given an added push.

But with funds from Brussels set to dry up as the poorer eastern European states looked for support, Bord Failte wanted to make plans for the future.

Research had shown that the product, for tourists who had experience of Ireland, was better known than the image with which Bord Failte was trying to lure new arrivals. Mr Toolan argued strongly that Ireland needed to find a new icon.

> The radically new logo depicted, in stylised manner, two people embracing and exchanging a tiny shamrock

After months of trials, Design Works, a Dublin studio, came up with a radically new logo. It depicted, in a stylised manner, two people embracing and exchanging a tiny shamrock.

Officials said the campaign wanted to capture the idea of Ireland as an "emotional experience". The board made 38 television advertisements. A film crew of 120 worked throughout the country for three weeks in what Mr Toolan claimed was the world's most expensive production.

A lot of work went in to choosing the right catchline. "Live a different life," which seemed suitable in Europe, had sexual connotations in the US and was changed to "Awaken to a different world."

The campaign was targeted at the higher spending tourist. As Mr Toolan said at the time of the launch: "It is like running a night club which is close to full. We have to choose who to let in. We had to decide which markets we are going to spend our money on."

But like many new designs, it was not universally liked. "Whether it's the change of the shape of the shamrock on Aer Lingus or British Airways' new brand, every time any organisation delivers a new logo, there are critics and supporters of it," says Mark Alexander, NITB's marketing director.



The logo that cost I£32m (left) with the compromise solution

Donald Helme, head of one of Dublin's best known agencies, says the minister's "slash and burn approach" in scrapping the new design reflected a widespread resentment, particularly in rural areas, over the beloved shamrock's fate.

But the minister's move comes at an awkward time as London and Dublin are exploring areas of possible co-operation as part of the search for a political settlement in Northern Ireland. The immediate fall-out has been closer to home, with Mr Toolan's resignation.

The industry has been unimpressed.

"This is what happens when a doctor from Donegal thinks he knows better than the professionals," says Pat Donnelly, chief executive of All Ireland Media.

Last week saw the announcement of the compromise solution. Mr Toolan's logo is relegated to one corner. It could not be jettisoned because of the various corporate licensing deals already entered into by Bord Failte.

And the shamrock has returned, albeit with signs of an attack of copywriters' greenfly.

ADVERTISING

Banks make headline news

TV is raising the profile of privatisation in Poland, says **Christopher Bobinski**

Poles are no strangers to campaigns that market new share issues. Today, for example, shares in the Powszechny Bank Kredytowy, a state-owned commercial bank, are being offered to the public.

Media spots regularly advertise the latest offering. The number of companies quoted on the stock exchange is more than 100 and rising.

Although Zl 13bn (£2.4bn/$3.8bn) was spent on advertising in Poland in the first half of this year, the share of financial products and securities is still marginal. About two-thirds of what was spent went on food, cosmetics and other bodycare items.

But this summer's sale of Bank Handlowy, one of Poland's largest banks, and KGHM, the copper ore mining and smelting company, have lifted the share of financial advertising.

The two offers were among the largest Poland has seen and they tested the advertising industry's capacity to run a mass campaign.

The offers' success has strengthened the hand of those arguing for next year's privatisation of Telekomunikacja Polska SA, the state-owned telecommunications operator, to be aimed at domestic small investors.

An emerging market like Poland contrasts with the US where it is mutual funds that are marketed to the general public. In Poland, corporations and the state chase the individual small investor in public offers.

There are good political reasons for this. Polish governments of every hue want to be seen spreading the benefits of privatisation of the large state-owned companies. The managements of such corporations, eager for as much freedom as possible, do not object to a large shareholder base, which is easier to handle than a few shareholders.

Leo Burnett's Warsaw office was told to pitch the BH campaign at all 28m adult Poles, advertising on television at peak times.

The campaign resisted the temptation to concentrate on the target audience of active investors thought to number about 100,000. In the end, 140,000 people bought shares.

BH's aim had been to raise awareness of the 125-year-old bank among a population which saw BH as a corporate bank that had concentrated on trade finance for the past 50 years.

The bank sought a campaign to fulfil its ambition to attract as many investors as possible while building an image for when the bank moves into retail operations.

The campaign also fulfilled the "scarcity and quality" condition that financial public relations companies swear by. Under this principle, a campaign persuades individual investors that a run for shares is on and they may miss out on buying stock in a quality company.

It was the 100,000 or so active investors Piotr Lukasiewicz of McCann Erickson had in mind in his campaign for KGHM. But he too had been told to pitch the campaign as widely as possible. About 180,000 people applied for shares.

Both Leo Burnett and McCann Erickson were trying to achieve the same *mass appeal*, so television advertisements for the bank and industrial combine were similar. Both assumed the companies were well known by clients but less so by the public. Both companies' 30-second television spots stressed the product's soundness, its reliable past and its glorious future. The ads swirled with modern images to show the country could not function without copper or prudent bank loans.

United by desire to be first among regions

It has no national symbol, no flag and no separate language. Only a much-maligned accent and a location bind together much of the West Midlands. They hardly represent the most promising material for a marketing campaign to promote an English region.

But the need to market the UK's heartland has become so pressing that the region's private sector combined forces last week to launch its own poster campaign. It is thought to be the first regional campaign to be funded entirely without public sector funds.

For the marketeers, the next 12 months present an opportunity to sell the region to a high-profile series of captive audiences. Next month Birmingham hosts the national conference of the Confederation of British Industry. In the summer it will stage the G8 summit of world leaders, the Eurovision song contest and the Lions Club international convention, the largest in the world.

But the pressure is also competitive. The task of selling the UK's regions has become difficult over the past 10 years as the struggle for inward investment and European Union funding has intensified. The West Midlands knows it could soon fall behind rival regions such as newly-devolved Wales and Scotland.

The campaign, initially costing £200,000 ($322,000), owes much to its rivals' tactics, and is being staged at a series of "gateway" locations. Sites at Euston railway station, as well as Heathrow and Birmingham airports, have been chosen.



Heartland hard-sell: posters highlight business strengths

Beverley Nielsen, regional director of the CBI in the West Midlands, the driving force behind the campaign, says: "We felt in the West Midlands that the perceptions of the region were just not in line with the reality and we wanted to show there is a tremendous amount going on.

"A lot of people know nothing about the region, and gain their perceptions by driving along the M6 and seeing the conurbation from a traffic jam.

"Even the Welsh Development Agency was promoting itself more effectively in our patch than we were ourselves. We want to attract inward investors not living here, but we also hope there will be a spin-off feelgood factor for those who do."

Unsurprisingly for a campaign led by the private sector, the posters seek to highlight the region's business strengths. Themed around the catchword "first", the posters carry the slogan: "The West Midlands in the heart of England. First for innovation, performance, design and service."

Almost as prominent as the slogan are the sponsors, "the region's champions". These include Cadbury, Powergen, Rover, the Royal Shakespeare Company and Birmingham Royal Ballet.

The campaign seeks to bring together different sectors. But the breadth of the campaign has prompted local criticism that the posters lack a strong single message, and are cluttered by sponsor names.

Digby Jones, senior partner of Edge & Ellison, a Birmingham legal firm, says: "The West Midlands is an area that is recognised as making motor cars but we are not just about motor cars. Over the last 10 years we have seen huge growth in world-class businesses in different sectors."

For the individual "champions", the posters are a chance for mutual self-help.

Alan Jones, managing director of TNT UK, the distribution company, says: "We are trying to promote the region to promote ourselves, and *vice versa*.

"We are a carrier and we can only carry goods that people make and send. The more they make and send, the more business we have. That is why we have grown from virtually nothing to employing 3,000 people in the region in the last 17 years."

Richard Wolffe

Web Site of the Week

Travel made easy via the net

Europay International, MasterCard's partner in card payment systems, has revamped its web site (*www.europay.com*) to offer updates on products and services, electronic commerce and security, as well as useful features for foreign travellers.

Europay says about 40 per cent of European holidaymakers will rely on plastic rather than cash to pay their travel bills this year. A section on the site gives tips on purchase protection and card security.

For business travellers, a Money Abroad section will offer information on currencies, language and finding your way around capital cities. A link with City.Net also helps make life easier for first-time visitors to European cities.

With MasterCard sponsoring next year's football World Cup in France, the site will have information on the build-up to the tournament as well as details of card facilities in the French cities hosting the games.

There will also be an online World Cup competition, starting in December, with a travel package to an important game as a prize.

Card companies are realising the value of using Internet sites as more than just a marketing vehicle, by offering users functionality to create a closer relationship with their customers.

For example, Visa's site (*www.visa.com*) uses mapping technology to offer visitors a useful automatic transfer machine locator function. Just key in any house address in the US, Canada or Australia and a colour map will show the locations of the three closest Visa ATMs.

With about 160m people holding Europay or MasterCard brand cards, the organisation has a large readymade audience for its information; but it hopes its web site can offer enough to bring in non-cardholders as well.

Information about a pilot scheme that Europay was involved in, looking at secure electronic payments via the internet, will also be available at the site.

Stephen McGookin

Tim Jackson · On the Web

Shopping for toys can be fun



"I started thinking about it last Christmas, when I had to buy some presents for my nieces and nephews in Atlanta. Toy stores are a really miserable experience, you know. People don't like bringing their kids. So I thought, let's find a really compelling reason to keep people out of toy stores."

The speaker is Toby Lenk, 35, founder and chief executive officer of EToys, an electronic-commerce start-up based in Los Angeles. Mr Lenk had been kicking around ideas for possible internet businesses with Bill Gross, owner of IdeaLab, a venture company that has helped form a number of other start-ups.

He had rejected the idea of a real estate service on the web, and an idea for a Top Ten site that would sell the top 10 items in every category. "I wanted a business that had some gross margins," Mr Lenk explains.

The problem with real estate was that after years of guarding their listings closely, local agents had begun to make them available to everyone. And the problem with the Top Ten concept was that the most popular products in each category tend to be sold as loss leaders anyway.

EToys, which opened its virtual doors last week, sells a range of 1,000 different toys over the web.

Customers choose what they want by clicking on pictures or descriptions, pay with their credit cards, and receive shipment by UPS. The site allows customers to browse through the list by age, type and what they hope the child will learn from using the toy.

But its chief selling point is that it isn't Toys R Us. Mr Lenk says his research shows parents hate being dragged around toy superstores by their children, and forced to buy products they would not have chosen themselves.

Worst of all, he argues, is the "hot toy" phenomenon, in which popular items promoted heavily on TV get sold out. "Hot toys are the vapourware of the toy industry," Mr Lenk says.

"They don't exist, because they only get hot when they disappear – but retailers love them, because parents are forced to go on a 'treasure hunt', making repeated visits to the store and buying other products to console their children for the absence of the hot toy."

Buying on the web, in the quiet of the house after the children have gone to bed, seems positively civilised by comparison. And when a hot toy is truly out of stock, parents can "back-order" it, promising their children that they'll receive it as soon as it becomes available from the manufacturers.

Like other successful electronic commerce ventures, the EToys site contains some content – advice to parents and children on what to buy. It also has a reminders service for adults who might otherwise forget a birthday.

Mr Lenk, who joined a management consultancy from Harvard Business School and then spent five years as a vice-president of planning strategy for Disney's theme-park business, sees a compelling financial imperative behind the venture.

"To serve the country, Toys R Us has something like $5bn (£3bn) of net fixed assets, exclusive of inventory and working capital. I don't need any of that. I can serve the world with one store."

EToys has a number of talented managers brought in from other businesses with the offer of stock options. But it owns only one 4,000 sq ft warehouse (in Oakland, a few hundred miles north of its offices), with two staff and a computerised warehousing system. And it was able to start up with remarkably little capital.

Gross put in $250,000 in seed capital, and the business recently closed a round of venture capital from private investors that bringsits bank balance to slightly more than $1m.

Most suppliers have given 30 or 60 days' credit, and some have offered products on sale or return. Some products are drop-shipped straight from suppliers; others, such as books and CDs, are kept in ones and twos and replenished overnight.

By taking lower margins, EToys aims to meet or beat the prices charged by Toys R Us for the same products, thus counteracting the economies of scale of the world's biggest toy business. Mr Lenk is reluctant to offer sales projections, but he claims early success.

He expected October to be what is known apparently inside Disney as a "lookee-loo" month, when customers browse around before the Christmas rush. In fact, he says, the site sold products on its first day of business. This was partly thanks to a range of marketing and advertising deals with prominent internet businesses including AOL and Infoseek.

But it would be wrong to think of Mr Lenk and his merry band at EToys as wholly on the side of the angels. When I looked at the site last Thursday, it was promising a startling new feature in the near future: electronic "postcards", in which children can tell uncles and aunts and their parents' friends what presents they want.

Now that's a real nightmare: junk mail from a three-year-old.

tim.jackson@pobox.com

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BUSINESS TRAVEL

Travel Update · Roger Bray

Gloom on prices

European companies face an overall increase of 5 to 6 per cent in business travel costs in real terms next year, American Express predicts.

Worldwide hotel rates will rise by an average of 3 to 4 per cent. Regular travellers to Rome will be particularly hard hit. Room prices there are forecast to increase by 10 per cent. Business class air fares will increase by another 6 to 7 per cent, the company believes. On routes within Europe the increase will be only about 4 per cent.

But those flying to North America or the Asia-Pacific region will be hit harder. Fares to destinations there are likely to rise by 9 and 10 per cent respectively.

American Express says demand is being fuelled partly by expanding trade with developing countries. It believes European companies spend an annual total of $141bn ($87bn) on travel and related expenses – an average $1,500 per travelling employee – and it estimates that by failing to manage this expenditure efficiently they are squandering $8.5bn a year.

Elephant switch

The Hotel Elephant in Weimar, whose past customers included Goethe, Schiller, Thomas Mann and J.S. Bach, will be managed by the Kempinski chain from the start of next year. Decorated partly in Bauhaus and partly in Art Deco style, the 102-room property is being refurbished. It opened as a hotel just over 300 years ago. Meanwhile in the US, the Grand Kempinski in Dallas is to join the Inter-Continental stable. The hotel includes a conference centre with 81,000 sq ft of meeting space. Its 582 guest rooms and public areas are also undergoing a renovation. The switch is part of a drive by Inter-Continental to increases its US presence.

Armenia link

British Mediterranean Airways has won approval from the UK Civil Aviation Authority to launch flights between London Heathrow and the Armenian capital, Yerevan. The airline plans to start operating twice a week on December 1 under its franchise agreement with British Airways. It still needs final approval from the Armenian government, but Des Hetherington, the airline's managing director, says he hopes that will be a formality.

Food for flight

Bored with airline food? The Peninsula Beverly Hills is providing in-flight meals, and guests can design their own menus. Dishes include smoked salmon with garnish and bagel, grilled pitta bread with roasted garlic hummus, and marinated shrimp with grilled vegetable salad.

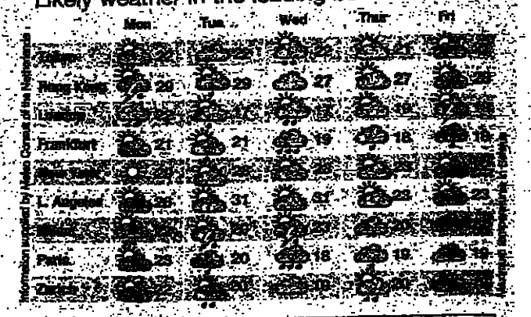
Gdansk route

Polish airline LOT plans to resume flights between London and Gdansk. Two years ago it stopped its service from Heathrow because it needed all its take-off and landing slots for its Warsaw operation. Now it plans to fly twice a week from Gatwick starting next summer.

Swedish question

Stockholm will decide soon whether a new conference centre and hotel should be built over the tracks at Västra railway station. Proposals from three architects are under consideration. The most modest envisages a main auditorium seating slightly fewer than 2,000 delegates, the most lavish a hall with capacity for 4,000.

Likely weather in the leading business centres



CLUB CLASS

Scheherazade Daneshkhu on a city developing to keep pace with demand

Chicago buzzes to the blues

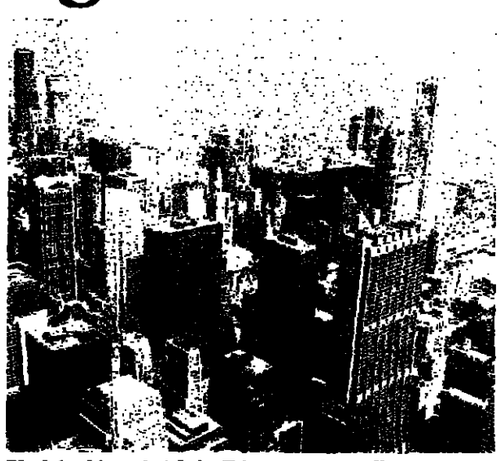
Amid the derelict warehouses of south Chicago near Al Capone's old gangland headquarters, the final touches are being put to a gleaming white building. McCormick Place, Chicago's exhibition and convention centre, has almost completed a $987m (£613m) expansion and renovation project that is expected to earn the city an extra $1.6bn in annual revenues.

Chicago has long been established as a conference destination and Richard Daley, its mayor, wants to make sure it keeps that way.

The South building extension, which opened in December, added 840,000 sq ft to the complex, bringing the total to 2.2m sq ft – more than twice the size of Chicago's nearest rivals, Orlando's Orange County Centre and the Georgia World Congress in Atlanta.

Chicago's tradition of blues music has always given the city rhythm but these days it buzzes, as a campaign to promote tourism appears to be succeeding. Tourism will be given a further boost when 5,800 travel agents and tour operators attend the International Pow Wow at McCormick Place next May.

As home to the world's largest futures market, Chicago's position as a business destination is assured. Coupled with the rise in tourism, demand for accommodation has led to a hotel boom.



Block bookings: hotels in Chicago are busy all year

There are 39,000 rooms downtown and another 30,000 in the metropolitan area. More than 4,000 rooms are planned by the year 2000. Sixteen hotels are being built or have been renovated in the past year.

Hyatt is building an 800-room hotel next to the McCormick centre. Marriott plans two new hotels, and Wyndham Hotels is converting an office building.

Inter-Continental, Hilton, Hyatt Regency, Westin, Clarion Executive Plaza and Radisson Hotel Suites have recently completed renovations on most of their rooms. Some of the smaller plush business hotels, including the Tremont and Whitehall, have also had facelifts.

Hotel prices have been rising meanwhile. The annual average hotel room price in Chicago rose 13 per cent last year compared with 1995.

American Express says room prices are higher in Chicago than San Francisco, but lower than New York or Boston. It recommends early booking and flexibility since it is easier to find rooms in the suburbs and near the airport than centrally.

Carlson-Wagonlit, the business travel agent, says it is a "nightmare" trying to book rooms in Chicago, particularly at present as the business and conference season is in full swing.

"Chicago is a hot city," says Alan Farwell, the general manager of the Hyatt Regency, a 2,000-room twin-tower monstrosity with fabulous views from its enormous bar. "It used to be real quiet in winter and summer but now it's busy pretty much all year round.

"We are probably a bit undersupplied [in hotels], especially by McCormick Place, and we could use smaller hotels in the city."

Traffic through O'Hare airport, the world's largest, is also rising. The airport, which handles 103 aircraft an hour and 69m passengers a year, says it does not know what its capacity limits are. If the traffic jams around the airport are anything to go by, they may already have been reached. Of $1bn being spent on improvements by O'Hare in the next four years, some will go on improving motorway access and enlarging parking space.

Don't mention the gangsters . . .

Mention Al Capone in Chicago and you will feel like a criminal. In its efforts to promote Chicago as the City of Culture, the tourist board does not like to be reminded of its notorious past, Scheherazade Daneshkhu writes.

There is not a whisper of old Scarface in the board's literature. The factsheet, which begins with founder Jean Baptiste Pont DuSable in 1779 and ends with the Museum of Contemporary Art's move to a new building last year, makes no mention of the 1929 St Valentine's Day massacre. Nor does the world's best known gangster feature in the board's Chicago Superlatives list.

There was an Al Capone museum but it shut down last year, and now it is a Rainforest Café. Tourist board officials say frostily there is not much demand for "that kind of thing", which is why the museum closed.

However, Untouchable Tours has recognised that the gangster past is part of the city's heritage. It escorts 25,000 people a year on a bus tour of gangster places of interest. Don't expect to find it in the tourist board's guides, though.

Cover against smog

Roger Bray on the dangers of air pollution around the world

Most business travellers probably worry more about muggers than air quality. But the south-east Asian smog and the restrictions on cars in Paris last week may help to tilt the balance.

The UK Foreign Office, which provides regularly updated advice to travellers, generally concentrates on physical threats such as political violence, crime and air safety. But as the "haze" caused by forest fires spread through south-east Asia, it was prompted to issue an unusual alert.

Travellers with respiratory or heart problems who were heading for Malaysia or Singapore were urged to seek medical advice before leaving. Healthy visitors were advised to limit outdoor activity and exercise, such as jogging.

Air quality in most of the world's largest cities is poor. Dr Richard Dawood, editor of the Travellers' Health handbook, says that in the worst affected places even normally healthy people could experience unpleasant symptoms. "There are certainly people who don't normally suffer from asthma or other respiratory difficulties who could develop problems just by spending a lot of time outside.

"If you suffer from a pre-existing medical condition such as hay fever or asthma, any form of particulate matter can trigger an attack."

Where are the worst spots? The most recent wide-ranging study was probably that published by the World Health Organisation and the United Nations Environment Programme in 1992.

It compared 20 leading cities and found seven had three or more pollutants that exceeded WHO health protection guidelines. They were Mexico City, Beijing, Cairo, Jakarta, Los Angeles, São Paolo and Moscow.

At some time or other, however, individual pollutants soared above safety levels in all 20 centres. The risk list included Buenos Aires, Rio, Manila, New York and London.

Asian cities suffered more acutely than most from suspended particulate matter (SPM). Sulphur dioxide, which is produced by coal and oil consumption, was a particular problem in Beijing, Mexico City, Seoul and Shanghai. There were serious levels of lead in Karachi and Cairo.

More recent data suggest that in general, SPM and sulphur dioxide have fallen in developed countries but that in developing cities – and those in transition to the free economy – concentrations of these and other pollutants is rising.

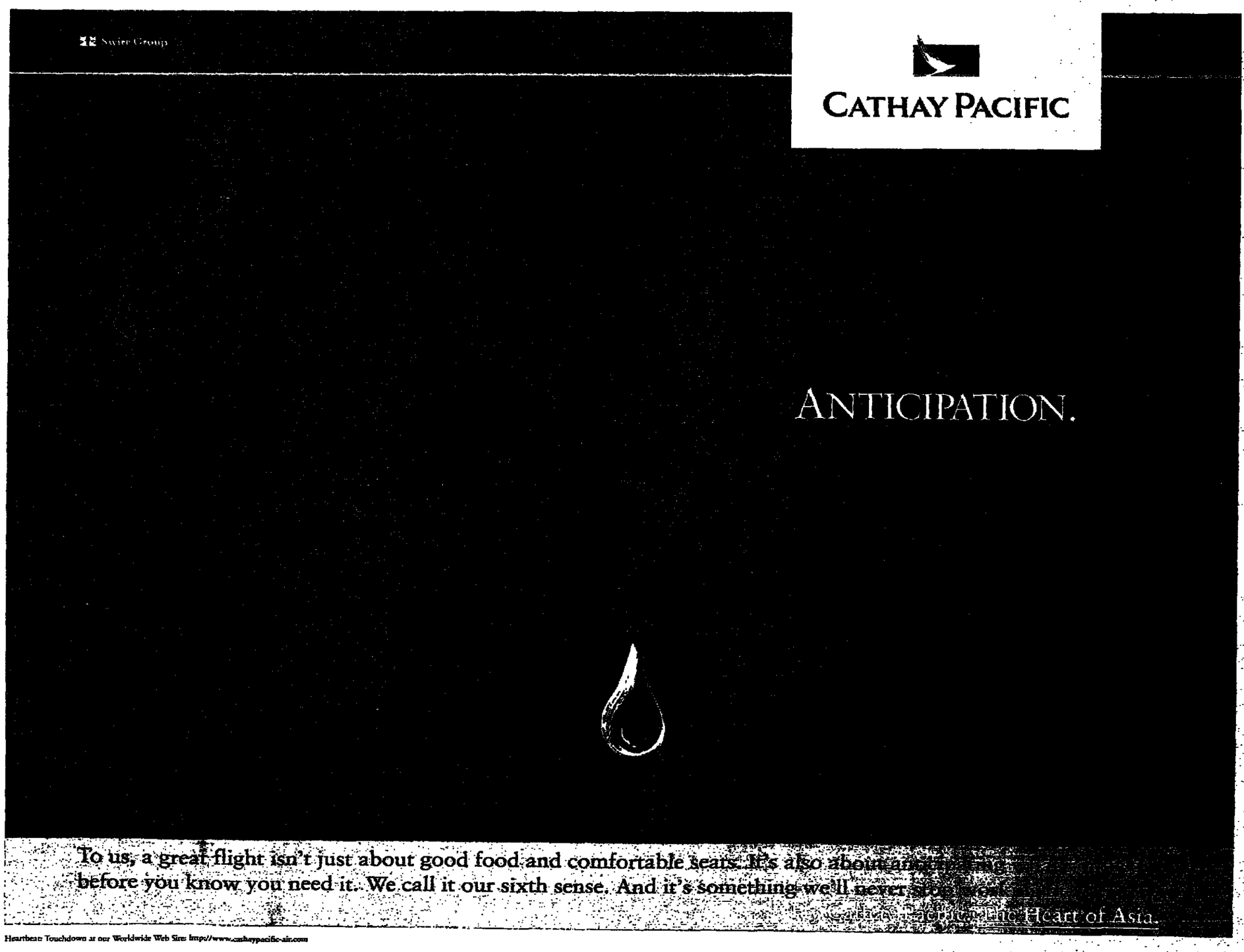
In 1995 Calcutta, Delhi and Santiago all reported serious particle pollution. Los Angeles appears to have improved, and this week São Paolo is bringing in some restrictions on car use. But in many places road traffic is growing at a rapid rate. In Bangkok, for example, 300 to 400 more vehicles are added to traffic jams daily.

What can travellers do to protect themselves? Dr Dawood recommends seeking local updates, particularly for people with existing problems.

"One difficulty is that business people tend to get sent to places at very short notice and don't always get time to prepare properly," he says. "But they should always ensure they take medication as a back-up and have insurance which includes an emergency telephone number for health advice."

Other travellers might consider taking a mask of the type used by cyclists. More than one may be necessary if you intend to be outside for long periods.

Respirator manufacturer 3M recommends one with carbon (activated charcoal) to keep out some gases, and a separate filter to stop solid particles. It may not stop carbon monoxide or nitrogen dioxide, however, and may not protect from very small particles.



هكذا من الأصل

ARTS

LONDON



MADRID
Claudio Abbado (right) and the Berlin Philharmonic Orchestra open their European tour tonight with the first of three concerts at the Auditorio Nacional. They also visit Lisbon, Barcelona, Amsterdam and Paris, where they will give four concerts at the Salle Pleyel. Repertoire includes Mahler's Second Symphony and Beethoven's Fifth.

BONN
The Kunst- und Ausstellungshalle has been mounting a series of exhibitions devoted to great European collections. The latest to be featured is the Bremen Kunsthalle, more than 140 paintings and sculptures go on show on Friday, along with 200 engravings. They include works by Dürer, Van Goyen, Delacroix and Max Beckmann.



LILLE
This year's Lille festival focuses on the culture of New York. The opening performance on Friday is by the GhettOpera Dance Company. Other highlights include a Barbirolli and Gershwin recital by the Labèque sisters (Katia, above) and an evening with the Harlem Spiritual Ensemble.

NEW YORK
The Austrian Expressionist painter Egon Schiele (1890-1918) is the subject of a retrospective at the Museum of Modern Art. Among the 150 works on show are many of the erotic and contorted nudes which made him famous. It opens on Sunday and continues till early January.

LONDON
The Hayward Gallery's latest exhibition explores modern developments in the 400-year genre of still life. Opening on Thursday, it features works by more than 60 European and American artists, including Picasso (below), Matisse, Dali, Magritte and Warhol.

Adam Cooper and Sarah Wildor, both known in leading roles with the Royal Ballet, take



the leading roles in Matthew Bourne's latest production for Adventures in Motion Pictures. *Cinderella* opens tomorrow night at the Piccadilly Theatre.

CHICHESTER
Ian Richardson returns to the stage tomorrow night in Arthur Wing Pinero's comedy *The Magistrate*, at the Chichester Festival Theatre. Nicholas Broadhurst, with whom he collaborated two years ago at Chichester on *The Miser*, again directs.

DRESDEN
More than 90 works by artists belonging to two early 20th century Expressionist groups, the Brucke and Blaue Reiter, go on show at the Albertinum on Sunday. They come from the estate of the renowned Munich gallery owners Otto and Etta Stangl.



SANTA BARBARA
The Royal Philharmonic Orchestra, under its music director, Daniele Gatti (above), opens its US tour on Thursday at the Arlington Theatre. The three-week tour culminates with concerts at Carnegie Hall in New York on October 29 and 30, the first of which is sponsored by the Financial Times. Repertoire includes Mahler's Fifth Symphony and Tchaikovsky's Sixth.

One virtuoso after another

Trevor Nunn has just succeeded Richard Eyre at the National Theatre. **Alastair Macaulay** compares their style

The night before the press opening last week of *The Invention of Love* – a new play by Tom Stoppard which Richard Eyre has directed at the Royal National Theatre – Eyre officially ended his nine-year regime as the National's director. Throughout these nine years, he has kept his profile remarkably low. Little controversy, and less flamboyance. This has been in deliberate contrast to the publicity-luring regime of his predecessor, Peter Hall. In recent years, Eyre's voice, in both writing and broadcast, has become widely known; but it is always a calm voice, steady, wry, discreet.

A greater degree of heat surrounds the reputation of Trevor Nunn, who began his tenure on October 1. Nunn is known for being effusive, both in enthusiasm and in defence. But he resembles Eyre in one respect: whereas some directors bring a characteristic stamp to all they do, these two have the stylistic anonymity of true virtuosi. Just look at Eyre's productions in the last 15 months alone: *John Gabriel Borkman*, *Guys and Dolls*, *King Lear*, *Amy's View* and, last week, *The Invention of Love*. Quite a quantity, and quite a quality. Eyre has done more in these 15 months to demonstrate his standing as one of our greatest directors than he has done in the previous five years. Yet what do these productions have in common? Next to nothing. In particular, his volte-face from *Guys and Dolls* to *King Lear*, both of which I find definitive stagings, must have tickled him pink. The man disappears in his work.

Nunn is capable of no less. Indeed, in 1993, he jumped from the premiere of Tom Stoppard's *Arcadia* to that of Andrew Lloyd Webber's *Sunset Boulevard*: a remarkable feat, but one of which nobody, alas, should be proud. *Arcadia* was a classic staging, beautifully elucidating the play, pacing its dynamic and emotional contrasts with ravishing naturalness. But *Sunset Boulevard*? Some of the dialogue seemed to be tamely following a metronome, and every damned wow effect was as synthetic as in every other blockbuster musical. It appalled me, and yet I see that Nunn understands the unspontaneous nervous system of the modern musical. His *Sunset Boulevard* was not good, but it was good Lloyd Webber. Like a chameleon, Nunn can dissolve himself into his setting (can, but not always: he has, for example, certain tricks of ensemble narrative that he used to effect in both *Nicholas Nickleby* and *Les Misérables*; I wish that his recent *Enemy of the People* had not reminded me of them, great fan of his *Nickleby* though I was.)

It is not for critics to tell directors – let alone directors of national companies – what to do. The best artistic practitioners should always be ahead of us, *proving our preconceptions* wrong at regular intervals; the weak ones follow our advice. Nunn will succeed best as the National's artistic director if he proves me wrong, in ways I cannot now imagine. He may therefore disregard me to his advantage when I observe the bad and good lessons he can learn from Eyre's regime.

Bad lessons? The National, like the RSC, has much too much film-type music used to build tension beneath dialogue (we think you'll find the script more exciting if we make you think you're watching a film, not a live performance); and there have been too many "timely" productions of old plays (we're reviving this play *this year because it'll remind you* of recent headlines – it really isn't good enough to work at any other time); and it too seldom feels like a company (we'd never use those actors in any show but this one).

Good lessons? One way in which Eyre has made the National feel more national is by cooperating with some of our most interesting smaller companies. We have seen Cheek by Jowl, Shared Experience, Théâtre de Complicité and others at the National, and everybody has profited thereby. Eyre has given key opportunities to several of younger directors: his National has played a crucial role in the careers of Nicholas Hytner (*Wind in the Willows*, *Madness of George III*), Declan Donnellan (*Fuente Ovejuna*, *Angels in America*), Deborah Warner (*Richard II*), Sam Mendes (*The Sea*, *The Birthday Party*), Steven Daldry (*An Inspector Calls*, *Machinal*). Eyre's National has often shown excellent taste in modern authors and new plays: Stoppard's *Arcadia*, Hare's *Racing Demon* and *Skylight*, Alan Bennett's *Madness of George III*, Patrick Marber's *Dealer's Choice* and *Closer*.

There have been some (though too few) important productions that have helped us to reconsider neglected works of our national canon: notably Eyre's own superlative production of Granville Barker's *The Voysey Inheritance* and Katie Mitchell's staging of Githa Sowerby's *Rutherford & Son*. And there have been *some* (again, too few) memorable stagings of plays by authors generally placed in the British canon: Shakespeare, Jonson, Middleton, *Pinero*, *Shaw*, *Osborne*, *Pinter*.

"National", of course, invariably also means "international". We judge the National in large part by what it does by the Greeks, Lope de Vega, Molière, Ibsen, Chekhov, Beckett, Tennessee Williams, et al; by how its productions fare abroad; and by what productions it imports. Eyre's National tended to do better by the Americans (Eyre's production of Williams's *Sweet Bird of Youth* was another of his own triumphs) than by the Europeans, until last year (when his own accounts of *La Grande Magia* and *John Gabriel Borkman* did more than justice). Numerous National productions have toured abroad to acclaim, and a few foreign productions (above all, Giorgio Strehler's Milan production of Goldoni's *Le Baruffe Chiozzotte*, the Comédie Française production of Marivaux's *Les Fausses Confidences*, and Pinter's Dublin production of his own *Landscape*) have appeared at the National. It may be possible for Nunn to match or surpass this record, but it will be hard.

I will miss Eyre at the National. In his superbly unobtrusive way, he has made it a pleasant and valuable place to visit. And to revisit: there have been a number of productions I have needed to see at least twice, simply for the good of my soul, and several of them have been directed by him. As a director, he has carried on growing, especially of late. As artistic director, he has helped the whole of British theatre – playwrights, directors, designers, translators, actors, repertory, canon – to grow. There have been, there are, mistakes; but in the balance they count far less than the breadth and depth of the achievement. Simply, the National has become a more large-spirited institution under Eyre. I testify that my own sense of theatre has grown there, and I record my sincere gratitude and admiration.



Joan Rodgers and Edward Burrowes in Deborah Warner's new production for the Royal Opera — Alastair Muir

Opera/**Andrew Clark**

A 'Screw' which fails to turn

If *The Turn of the Screw* does not leave cast and audience drained, something is wrong. There lies the fatal flaw in the Royal Opera's new production, which opened at the Barbican, London EC2 on Thursday. The singers cannot be blamed: they are strikingly well chosen, and play their parts with unstinting finesse. Nor can Sir Colin Davis: despite the acoustic of the Barbican theatre, which does its best to desiccate Britten's score, he conducts a supremely alert, vivid account.

And it would seem curious, at first sight, to blame Deborah Warner for a production of such cool, bare intellect. But the problem with her rationalist approach is that it robs the Henry James ghost-tale of mystery; it lacks all power of suggestion. Warner and her designers, Jean Kalman, Tom Pye and John Bright, come up with lots of well-made ideas – the window-screen describing the Governess's journey to Bly, the bed of planks rising to form church pillars – but none of them grips. We are invited to admire, and admire we do in every scene, but not to get involved.

There is no set: just barren walls lurking in the background, a few nursery props rolled on by the characters themselves, and acres of naked theatre-space. The mood is one of unrelenting semi-darkness – monotone, distanced, lacking the slightest hint of illusion. These ghosts cast no shadows, because they are far too real – if only in the eyes of the Governess, to whose increasingly neurotic mind-set we are privy. How else do we explain the way Quint smashes her vase of flowers after "Tom, Tom, the piper's son", or the housekeeper's failure to see Miss Jessel, spotlit front-of-stage, in the lake scene? A production which does not entertain the idea of ghosts, as opposed to hallucinations in the Governess's suppressed Victorian psyche, lacks the crucial element of ambiguity on which the story turns.

Warner's *Screw* is not about the failure of love, nor about the nature of evil or the murky hand of pederasty; it *could* be about one woman's obsession with the corruptions of life, as if Quint and Miss Jessel were projections of Miles and Flora as adults, their "ceremony of innocence" drowned by the Governess's choking control. If so, why should Quint dress like a trampish art student, while the rest are died-in-the-wool Victorians? By the end, it looks increasingly as if Warner did not really know *what* she wanted from the piece, and had to rely instead on Britten's music and her own intensely human choreography to fill the void.

More's the pity, for as a director of singing actors, Warner has few equals. There is not one unnatural or "operatic" move all evening, and by choosing a 10-year-old girl for Flora instead of the usual young-looking soprano, Warner makes Flora just as important (and vulnerable) as Miles. For the first time in my experience, the children are credible playmates, convincing victims of nightmare, totally realistic in their impudent naughtiness. Miles knows how to twitch his hands in recitation; Flora does a nice line in cartwheels. Edward Burrowes, head chorister at St Paul's Cathedral, and Pippa Woodrow, from Finchley Children's Music Group, are the stars of the show.

Joan Rodgers's pretty Governess is as repressed as she is feminine: the build-up of hysteria is kept tightly under control, perhaps too much so, but the pay-off is a performance of vocal poise and dramatic candour, which withstands the unrelenting spotlight remarkably well. Jane Henschel is the doughty, down-to-earth Mrs Grose – an inspired piece of casting – and Vivian Tierney lends a quiet mystique to Miss Jessel. About Ian Bostridge's Quint, I am less certain: the white English tone is eerily penetrating, but he seems too louche, asexual and devil-may-care to be a real threat.

For Sir Colin and his 13 instrumentalists, nothing but praise. The music is given all the room it needs to spin its miraculous web, and yet Sir Colin keeps his finger unerringly on the dramatic pulse, so that every detail emerges gleaming, taut and beautiful – not least in the halo of nocturnal sound introducing the Act 1 finale, and the whispered flute arabesques which illumine the whole score. That *The Turn of the Screw* has finally entered the Royal Opera's repertory must be counted a plus; but despite such devoted musicianship, the screw fails to turn.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

OPERA
Het Muziektheater
Tel: 31-20-551 8911
La Traviata: by Verdi. Netherlands Opera revival of a staging by Alfred Kirchner, conducted by Ralf Weikert; Oct 7, 10

■ BERLIN

CONCERTS
Konzerthaus Tel: 49-30-203090
Berlin Symphony Orchestra: conducted by John Carewe in works by Schubert and Liszt. With the Ernst Senff Chor and baritone Siegfried Lorenz; Oct 10

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Der Fliegende Holländer: by Wagner. Conducted by Christian Thielemann in a staging by Götz Friedrich; Oct 8
● Der Prinz von Homburg: by Henze. Conducted by Christian Thielemann in a staging by Götz Friedrich; Oct 10
● Die Zauberflöte: by Mozart. Staged by Günter Krämer, with sets and costumes by Andreas Reinhardt; Oct 7

■ BONN

EXHIBITIONS
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
Kunsthalle Bremen: selection of important works including paintings, sculptures and copper engravings from the collection of the Kunsthalle Bremen. Ranges from 17th century Dutch painting to modern photography; to Jan 11

■ BRUSSELS

OPERA
La Monnaie Tel: 32-2-229 1211
Otello: by Verdi. New production conducted by Antonio Pappano in a staging by Willy Decker. Cast includes Susan Chilcott as Desdemona; Oct 8

■ CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
● Nabucco: by Verdi. New production staged by Elijah Moshinsky and conducted by Bruno Bartoletti. Cast includes Maria Guleghina and Samuel Ramey; Oct 8
● Peter Grimes: by Britten. Conducted by Mark Elder, making his Lyric Opera debut, in a staging by John Copley. Ben Heppner sings the title role; Oct 6, 9

■ COPENHAGEN

EXHIBITIONS
Louisiana Museum of Modern Art, Humlebaek
Tel: 45-4919 0719
The Louisiana Exhibition 1997: New Art from Denmark and Scania. First of a planned series of shows which will present contemporary work from the region, this show includes new works by around 50 artists; to Feb 8

■ FORT WORTH

EXHIBITIONS
Kimbell Art Museum
Tel: 1-817-332 8451
Impressionist and Modern Masterpieces: The Rudolf Staechelin Family Foundation Collection of Basel. First American showing of 26 paintings including Gauguin's Nafea Faa Ipoipo (When Will You Marry?), and works by Cézanne, Matisse and Picasso; to Jan 11

■ LONDON

CONCERTS
Barbican Centre
Tel: 44-171-638 8891
London Symphony Orchestra: conducted by Mark Wigglesworth in works by Anna Akhmatova and Shostakovich; Oct 9

Royal Festival Hall
Tel: 44-171-928 8800
World Piano Competition: afternoon and evening recitals by competitors in the Purcell Room, Sep 28 to Oct 5. The Grand Final is on Oct 7, with the Philharmonia Orchestra conducted by Alexander Sanderling, in the Festival Hall

DANCE
Labatt's Apollo, Hammersmith
Tel: 44-171-416 6082
The Royal Ballet: Giselle. Production by Peter Wright; Oct 6, 7, 8, 9, 10

■ LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Copland, Rachmaninov and Sibelius. With piano soloist Yefim Bronfman; Oct 9, 10

OPERA
L. A. Opera, Dorothy Chandler Pavilion Tel: 1-213-972 8001
Florencia en el Amazonas: by Daniel Catán. Conducted by Roderick Brydon in a staging by Francesca Zambello. Cast includes Sheri Greenawald; Oct 7

■ MUNICH

CONCERTS
Bayerische Staatsoper
Tel: 49-89-2185 1920
Bayerischen Staatsorchesters: in Walter Haupt's Requiem. Conducted by Peter Schneider. With soprano Angela-Maria Blasi and baritone Eike Wilm Schulte; Oct 6, 7

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
● Aida: by Verdi. Conducted by Roberto Abbado in a staging by David Pountney; Oct 10
● Le Nozze de Figaro: by Mozart. Conducted by Peter Schneider in a staging by Dieter Dorn. Cast includes Amanda Roocroft and Alison Hagley; Oct 8

■ NEW YORK

CONCERTS
Lincoln Center
Tel: 1-212-721 6500
New York Philharmonic: conducted by Kurt Masur in works by Schubert, Liszt and Brahms. With piano soloist Boris Berezovsky; Oct 6

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
The Private Collection of Edgar Degas: sold at auction after his death in 1918, more than 200 19th century French paintings and drawings collected by the artist; to Jan 11

OPERA
Metropolitan Opera, Lincoln Center Tel: 1-212-362 6000
● Ariadne auf Naxos: by Strauss. Revival of a production staged by Elijah Moshinsky, with designs by Michael Yeargan; Oct 6, 10
● Carmen: by Bizet. Revival of a production by Franco Zeffirelli; Oct 9
● Manon: by Massenet. Revival of a staging by Jean-Pierre Ponnelle; Oct 8
● Turandot: by Puccini. Revival of a staging by Franco Zeffirelli; Oct 7

■ PARIS

EXHIBITIONS
Musée d'Art Moderne, Ville de Paris Tel: 33-1-5367 4000
Gilbert & George: major retrospective of the British artists, comprising some 120 works and spanning their career from their meeting at St. Martin's School of Art in 1968 to the "Fundamental Pictures" of last year; to Jan 4

Musée du Louvre
Tel: 33-1-4020 5151
● A Mission to Persia 1897-1912: display of pictures, objects and photographs retracing the archaeological expedition led by Jacques de Morgan, paying tribute to his career and the mission's discoveries about the ancient civilizations of Iran; to Jan 5
● Etchings from the Low Countries: display of 110 copper etchings dating from the 15th and 16th centuries. Includes works by Lucas de Leyde and Dürer; to Jan 5

OPERA
Opéra National de Paris, Opéra Bastille Tel: 33-1-44731300
● Aufstieg und Fall der Stadt Mahagonny: by Kurt Weill. Conducted by Jeffrey Tate in a production directed by Graham Vick; Oct 8
● Le Nozze di Figaro: by Mozart. Conducted by James Conlon in a staging by Giorgio Strehler. Cast includes Anthony Michaels-Moore and Barbara Bonney; Oct 6, 9
● Turandot: by Puccini. New production by Francesca Zambello. Conducted by Georges Prêtre; Oct 7, 10

Opéra National de Paris, Palais Garnier Tel: 33-1-43439696
Pelléas et Mélisande: by Debussy. Conducted by James Conlon in a staging by Robert Wilson. Cast includes Dawn Upshaw; Oct 8

■ TV AND RADIO

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Nonstop live coverage until 15.00 of European business and the financial markets.
17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

Personal View · **Paddy Ashdown**

End the Emu paralysis

The UK should now make a clear declaration of intent on joining the single currency

The European single currency has been the great undebated issue of British politics for the past five years. It was not discussed in this year's general election because both the Tories and Labour did not want to talk about it. It is not being talked about now, even though the first decisions on economic and monetary union are only weeks away.

There ought to be a great national debate on the single currency. Instead there is silence.

The language of our new government is at least free of the strident and petty nationalism of the last administration. The mood appears to be changing – and that is a good thing. But moods are not enough. What the country, and especially industry and commerce, needs is a clear lead.

The decision on Emu, the prime minister says, will be based on "Britain's national interest". We can all agree on that. But what does it mean?

We can all agree, too, when the prime minister says Britain should lead in Europe. But how can you lead in Europe if you remain outside Emu? You cannot. And that means Britain cannot effectively promote its own agenda for Europe – opening up competition, encouraging flexible labour markets and promoting higher employment.

We must now accept that Emu is almost certain to go ahead in 1999, and will probably include as many as two-thirds of the nations of the European Union. Unhappily, thanks to years of indecision under the Tories, British business is too unprepared to join at the first opportunity, even if the UK wanted to. This is why it is so important for the government to end the paralysis now. It is high time for a clear declaration of intent on Emu.

Such a declaration of intent should be made on the return of parliament later this month, giving clarity to Britain's Emu position before it adopts the EU presidency next year.

The declaration of intent should include a clear commitment to join Emu within a defined timescale – say no later than the end of 2001 – together with a pledge to continue to pursue the sound economic policies enshrined in the Maastricht convergence criteria.

It might also include some agreed indicative range within which Britain intends to enter Emu, say DM2.55 to DM2.70.

Finally, it could set a date for a referendum on the single currency next year. With the Liberal Democrats, the Labour party, the Confederation of British Industry, the Trades Union Congress and, indeed, many Tories campaigning enthusiastically for a Yes vote, I believe it is a contest that can and will be won.

There would be four immediate benefits from such a declaration of intent:

- First, it would allow businesses and others to plan for the future with confidence.
- Second, it would reduce British long-term interest rates, saving businesses and mortgage payers billions of pounds and boosting investment.
- Third, such a declaration would help to stabilise the level of sterling and prevent any return to the uncompetitive levels of recent months.
- Fourth, the increased confidence in Britain's commitment to Europe would boost its influence in European negotiations – especially those on Emu itself – and have a favourable impact upon decisions by inward investors and financial institutions about their commitment to the UK.

In short, the declaration of intent would pave the way for Britain to enjoy the full benefits of Emu membership – higher national wealth, more competition through the single market, more stability for exporters, and lower transaction costs, interest rates and inflation.

There are, of course, still doubters. Some commentators argue that there is too little convergence among European economies – that they are fudging the convergence criteria. But the degree of convergence is now impressive, the developing European recovery will help to reduce budget deficits further, and the stability pact will ensure that convergence lasts.

Some people are worried about Britain's cyclical position in relation to the continental economies. But by 2001 growth rates are likely to be much closer aligned and the gap between short-term interest rates much smaller than it now is.

The Conservatives are, to say the least, in a hopeless muddle over Emu. Only two positions are feasible for them. They could return to the John Major-style fudge of the last government, or opt for a final conversion to become Britain's "Out of Europe" party, as so many of their leading figures wish.

As the recent CBI report on Emu showed, less than one in 20 UK businesses wants to stay out of the single currency for the foreseeable future. Most businesses want to join Emu as soon as practicably possible, or at least want to see a declaration of a firm intention to join.

The Conservatives do not understand the new vision now coming into focus – of a prosperous, decentralised Europe. In this Europe, we will co-operate where it is in our interests to do so – on trade, the environment, defence and foreign policy – but nations and regions will be free to control the things they can do as well or better on a decentralised, local basis.

There is a new mood in Europe as the years of political stasis and economic recession end. And there is a new mood in Britain: hope, not fear; co-operation, not conflict; confidence abroad, not timidity at home. These are the phrases the government uses.

Let it show it means them by giving a clear lead on the single currency, and doing it before the start of the British presidency in January.

The author is leader of the Liberal Democrats, the UK's third biggest party, and a close ally of the government on issues including constitutional reform



Paddy Ashdown: 'There ought to be a great national debate'

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com. Translation may be available for letters written in the main international languages.

Well tested credentials to head the European Central Bank

From Mr José M. Aguilar de Ben.

Sir, Wolfgang Munchau ("Central bank awaits a leader", September 29) does not mention a very likely candidate for president of the European Central Bank – Luis A. Rojo, vice-president of the European Monetary Institute with Alexandre Lamfalussy – should there be deadlock among front-runner candidates like Wim Duisemberg.

Mr Rojo, governor of the Bank of Spain, has been mentioned by Global Forum magazine's review of central bank governors as one of the best performing governors in the world. Because of that he was also appointed vice-president of the EMI. He has certainly been the stable force behind Spain's astonishing institutional economic transformation in the last 30 years. His record is well known to officials in the International Monetary Fund, the European Commission, EU and the Bank for International Settlements.

Monetary institutions should be conservative for the sake of currencies and economic sustainability. Nothing is better than a well tested vice-president of the EMI for the presidency of the European Central Bank, should a deadlock arise.

José M. Aguilar de Ben,
AIACE, Rue de la Loi 200,
1040 Brussels, Belgium

Minimum wage exclusion not popular

From Mr Jonathan Fry.

Sir, It is up to the Low Pay Commission to make recommendations on whether young people should be excluded from the minimum wage or offered lower rates ("Lower pay plan angers unions", October 2). We would stress, however, that there is no significant support for treating young people up to the age of 25 in this way.

In a survey we have just published, only 3 per cent of the 296 employers who responded thought that the adult minimum rate should start from an age above 21. Half our sample opted for 18 or younger. There was also a consensus that those below 18 should be paid a lower minimum rate, rather than excluded from the system.

Our survey was heavily skewed towards small private sector companies, operating in a relatively low-wage part of the UK. These are the people, along with low-paid workers, who will be affected by the minimum wage.

Jonathan Fry,
director,
Yorkshire and Humberside Low Pay Unit,
102 Commercial Street,
Batley WF17 5DF, UK

Answer for Gibraltar

From Mr Jonathan Jeffries.

Sir, I refer to your excellent Gibraltar survey of September 24. The fact is Gibraltar has developed a sense of history, of suffrage and community, that was not envisaged in 1713 under the Treaty of Utrecht. So why should modern Spain continue to quote from a 300-year-old agreement?

The answer for Gibraltar is a "third way" – an independent state that is not a direct territory of either the UK or Spain. Gibraltarians want to work with Spain and not feel threatened by it. Gibraltar wants to be taken seriously as a maturing democracy and economy.

Once Spain recognises Gibraltar's potential for independence, then agreements and joint working groups can be set up to monitor progress. Surely progressive Spain could live up to this challenge of working with Gibraltar at national levels.

Jonathan Jeffries,
36 Hadley Road,
Enfield EN2 8JY, UK

Change of government will not hurt Polish economy

From Professor Grzegorz W. Kolodko.

Sir, Despite the concern expressed in your leader "Poland's choice" (September 26) about whether AWS, the electoral alliance, can forge a workable coalition with the Freedom Union, the outcome of the recent Polish election is not going to affect the economy in a negative way. Having been in charge of Poland's economic policy in 1994-97, I am confident that the main course of the reforms will be continued.

Although it is difficult to repeat the remarkable achievements of the outgoing government – the average rate of gross domestic product growth in 1995-97 of 6.5 per cent, threefold decrease in inflation (from 38 per cent at the end of 1993 to 13 per cent now), unemployment down by a third (from 16.9 to 11 per cent), sixfold growth of Warsaw stock exchange capitalisation (from $2bn to $13bn) and fourfold increase in foreign direct investment (from $4bn in 1990-93 up to $13bn in 1994-97) – the new coalition may be able to push development still further.

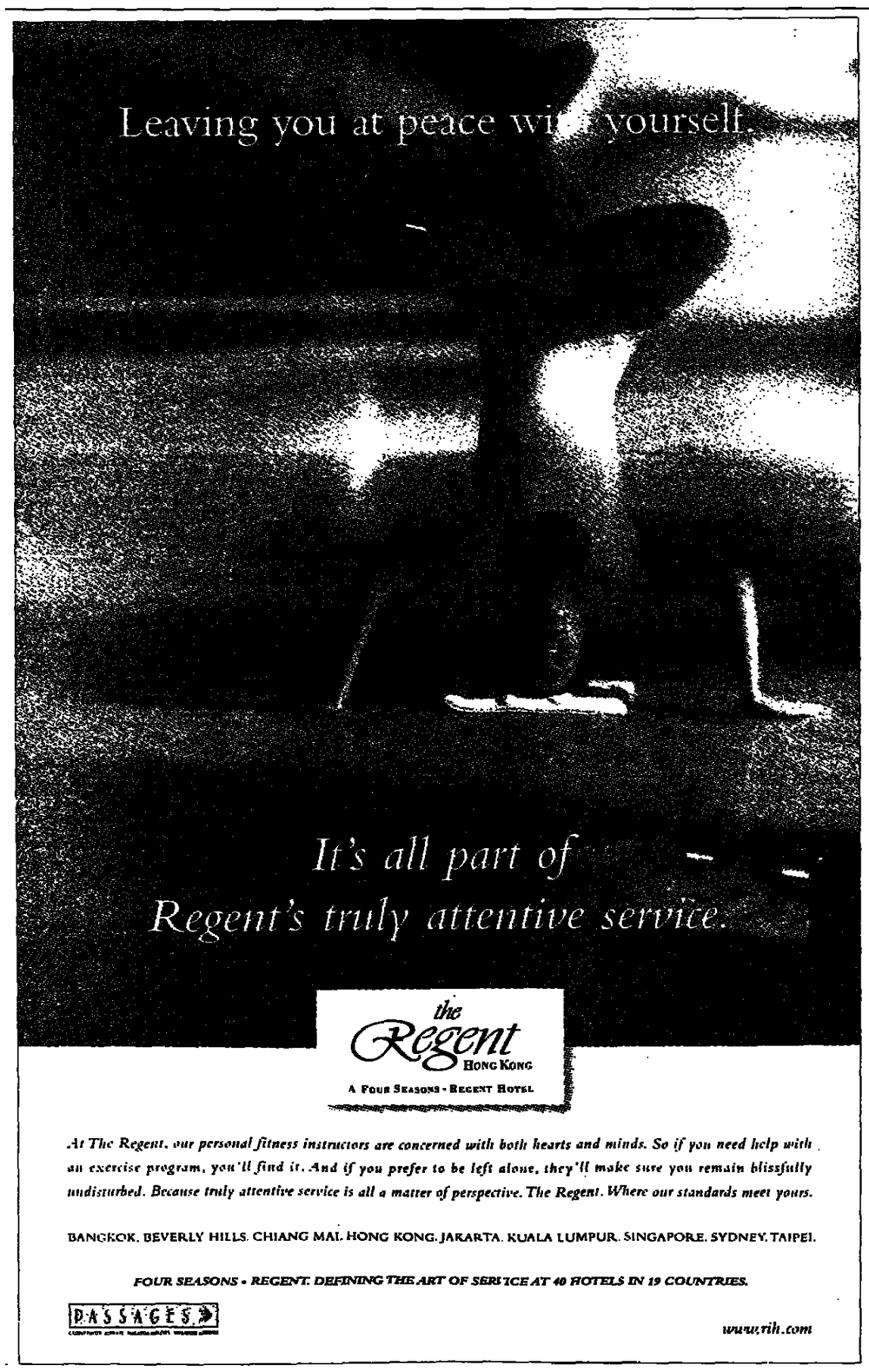
There is a chance to advance structural and institutional reforms, which will help sustain a high rate of growth and bring Poland to the door of the EU by the end of the parliamentary term – 2001.

The great paradox, if not irony, of Polish politics is that the new coalition of AWS (Solidarity Electoral Action) and UW (Freedom Union) is doomed to continue "Strategy for Poland", the economic programme that, despite their active opposition, was implemented so successfully and led to membership of the Organisation for Economic Co-operation and Development.

There is no chance to enforce either the AWS programme or the UW plan. This is good, since the former would be a real threat for market transition due to its populism, xenophobia and financial softness, and the latter would cause social unrest and destabilisation owing to its radicalism and excessive liberalism, if not libertarianism.

Gradual structural reforms, new institutional set-up, sound fundamentals, social awareness and active role of state – these are going to be the main features of policy. It will be open for both foreign participation and soaring domestic entrepreneurship, a marriage that has served the Polish purpose well in the past and can do so in the future.

Grzegorz W. Kolodko,
adviser to the president of Poland,
distinguished Sasakawa chair in development policy, World Institute for Development Economics Research, Helsinki, Finland



All aboard the future

Chicago is leading the way in selling derivatives to retail customers, says **Nikki Tait**

The setting is one of Chicago's grander hotels. In a lofty function room, several hundred private investors listen intently as Marty, their instructor for the night, explains how to profit from trading derivatives on the Dow Jones Industrial Average index.

"Come on, let's make a market here – how much will you give me?" he cajoles, detailing a particular product. The audience, a motley crew of business types, retired people and students, shouts back its responses.

Seminars like this have been taking place from Boston to Los Angeles. They are part of a multi-million dollar marketing campaign being mounted by Chicago's futures industry. For the past decade, derivatives exchanges have made institutional investors and professional traders their main source of business. Now they are out to woo retail customers.

The trigger is a decision by Dow Jones & Co, the New York-based financial information group, to license its 101-year-old index to the Chicago Board of Trade and the Chicago Board Options Exchange, the biggest of the futures and options exchanges. When trading kicks off today, investors will be able to speculate or hedge against the best-known marker for the world's largest stock market.

Both exchanges have tailored their new Dow products with private investors in mind. The value of each Dow futures contract will be $10 for each point of the index, about $80,000 at present. To trade such contracts, investors need only put up an initial margin of about 5 per cent: so for as little as $4,000 they could begin to speculate on Wall Street's future movements, although the margin requirements could increase sharply if the market moved against them. Minimum trading outlays on options products are smaller still.

Already, other exchanges are muscling in. No sooner had the Dow-CBOT licence agreement been announced in June than the Chicago Mercantile Exchange, the CBOT's big local rival, said it would launch a "mini" version of its established contract on the Standard & Poor's 500 share index, a more broadly based measure of Wall Street's performance.

While the original S&P contract is now valued at about $475,000 – restricting its use to big pension fund managers and the like – the new "mini" version is one-tenth of that, bringing it into the range of some retail investors. The CME, which stole a march on CBOT by launching the "mini" last month, even allows customers to place orders on the internet.

Dow Jones's decision to lend its name – for a price – to the futures industry is not without irony. In the early 1980s, the company fought a long, and ultimately successful, legal battle to prevent the CBOT from basing products on its index without authorisation. At the time, Dow said loftily that it did not want its name associated with speculative trading instruments.

Rebuffed, the CBOT devised a "Major Market Index" instead, which tracked the Dow Jones Industrial Average fairly accurately. It traded for a few years, but faded from view after the 1987 stock-market crash.

Now, Dow claims, both futures markets and investors have matured. "Derivative markets have developed to a point where they have demonstrated the utility of these products for [non-speculative] price discovery and hedging ... A community of sophisticated users has also grown sufficiently," says David Moran, president of Dow Jones Global Indexes.

> 'A lot of guys are looking for a bang for the buck in terms of volatility. You can go trade beans or bonds, but there's nothing like the stock market'

Whatever the merits of this argument, Dow's volte-face could not be more timely for the exchanges, which are facing competition on several fronts.

On the one hand, electronically based exchanges such as Germany's DTB threaten to provide a cheaper alternative to their traditional "open outcry" trading systems. On the other, over-the-counter products – which are devised on a one-to-one, customised basis – are multiplying. Pat Arbor, CBOT chairman, has pointed to a recent survey which found that 71 per cent of corporate treasurers now use interest-rate swaps to manage their risks, while only one-tenth employ interest rate futures.

Asked if the Dow products are something of a lifeline, Mr Arbor points to a 5.6 per cent increase in futures trading volumes this year, and a rise in CBOT seat prices. "Even without the Dow, we would still have a very successful year," he says.

But even the CBOT chairman admits the new equity-related products constitute "the most significant event" for the exchange since the launch of financial futures 20 years ago – adding a third leg to the agricultural and interest rate-related contracts.

Bruce Williams, who previously traded the Major Market Index and is now chairman of the Dow Jones pit planning committee, is blunter. "A lot of guys are looking for a bang for the buck in terms of volatility," he says of his trading colleagues. "You can go trade beans or bonds, but there's nothing like the stock market."

But do private investors need the derivative exchanges? The long bull run on Wall Street, coupled with corporate share ownership programmes and pension planning, has brought unprecedented equity-related wealth to millions of individuals in the US. Stories of millionaire secretaries are not entirely fanciful.

This type of nouveau-riche investor could be easy prey for less reputable middlemen who often highlight the potential gains to be had on futures markets, but underplay the risks and overcharge on commissions.

It is a point that the sponsors of the new products grudgingly concede. "I suppose one does have to take into account that these are leveraged instruments," says Mr Moran.

Such concerns notwithstanding, exchanges have wasted no effort on pushing these new contracts. Neither Dow nor the CBOT has released details of the licence agreement, but the CBOT has already spent $8m on a new trading pit to handle Dow business.

Pat Catania, vice-president for business development at the CBOT, says that a third of the marketing budget will go on the Dow products: between $4m and $5m annually for the next five years. Add on the CBOE's expenditures, and total costs are likely to be well in excess of $50m – an unprecedented sum for a new product in the futures industry.

Even so, not everyone is convinced the Dow products will be a success. One problem is the rivalry between the exchanges. The CME's "mini" S&P product has got off to a cracking start, with an average daily volume of almost 12,000 contracts. Rarely have the two exchanges successfully traded similar products on a long-term basis.

Neither will the CBOT be able to trade the new Dow contracts on its "after hours" electronic system – at least initially. Dow has yet to decide whether to license its index to other exchanges operating in different time zones.

Finally, it is not clear what use institutional investors will make of the new Dow contracts. Mr Catania thinks two-thirds of the initial volume will be retail, but believes this could drop to 50 per cent as institutional trading grows.

The ultimate success of the new contracts will be determined by the markets themselves. "It's no secret," says Mr Catania, "that all exchanges have done better in bull markets."

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FINANCIAL TIMES
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Stabilising Bosnia

The 18-month mandate of Nato's Stabilisation Force (Sfor) in Bosnia has reached its half-way point, and the international community must turn its attention to what happens after June 1998 when it expires. It is doing so, but without the necessary sense of urgency.

Progress has been made towards meeting the terms of the Dayton peace agreement, which sought to create common institutions to unite the warring factions in Bosnia. But it has been painfully slow. Nato has not reduced its 36,000-strong force in stages, as was intended, largely because it is unable to hand over many functions to civilians. The television transmitters seized last week from the Bosnian Serb faction loyal to Radovan Karadzic are being guarded by Nato troops, not policemen. It seems obvious that there will have to be an international military presence in Bosnia for some considerable time.

It is also certain that any presence after next June will be smaller. The political pressures in both the US and western Europe require that. Hence the emphasis of Nato defence ministers last week in Maastricht on achieving as much as possible over the next nine months.

Much more can and should be done to crack down on corruption and smuggling, to dismantle and disarm the so-called "specialist police" forces which are really private armies of the differing factions, and to bring war criminals to justice. Help is needed to develop free media, and to create Bosnia-wide civil institutions. As many basic tasks as possible must be handed over to civilians.

Nevertheless, Washington and other Nato governments have to face the fact that an abrupt military pull-out in June would unravel previous progress, especially if civilian organisations then refuse to work in Bosnia.

Another certainty is that the US, which contributes a quarter of Sfor, will not countenance keeping troops in Bosnia after June if they appear to be manning a permanent garrison. Congress is likely to want there to be no troops on the ground at all. European countries will rightly argue that the credibility of an international force would be undermined by American withdrawal.

One method being suggested to square the circle is to have a reserve force – including Americans – stationed in Hungary and at sea, ready to deploy rapidly, while keeping a small number of troops – presumably European – in Bosnia. European governments are likely, however, to oppose vigorously any option which involves the Americans keeping maximum control while taking minimum risks.

The most important task in the short term is to establish new goals for a continuing international presence, encompassing more than the obvious task of preventing a slide back into war.

Clear objectives would help to define the nature and term of an international presence. But while the US may be persuaded to play its part in achieving such goals for some time yet, in the longer term the burden of building Bosnia is likely to fall more and more on Europe. It is not unreasonable for Washington to expect its European allies to rise to that challenge. It should help them to do so.

EU job targets

Unemployment is so big a problem for the European Union that there is to be a special jobs summit in late November. But the European Commission's chief remedy for a disease that afflicts 18m Europeans is the setting of targets. This is a foolish and objectionable idea.

In market economies, employment is the result of free individual decisions. Unless the public sector becomes the employer of last resort, governments can never deliver on targets. All they can do is alter incentives. Yet the enunciation of targets reveals something worse than a misconception of what governments can do. They are part of an attempt to evade the question of why markets are failing to generate jobs.

Europe's unemployment rate, now 10.6 per cent, has been rising cycle-by-cycle over the last two decades. Aggregate employment has grown hardly at all over this lengthy period. By 1996, 75 per cent of people between the age of 15 and 64 were working in the US and 71 per cent in the UK. But the share was only 64 per cent in Germany, 60 per cent in France and 51 per cent in Italy.

The answer to why this is happening is straightforward. High unemployment and low employment are what most EU member states seem to prefer. Naturally, that is not what their governments say. But they do consistently choose highly regulated and heavily taxed labour markets, underpinned by generous welfare benefits, over more job-friendly alternatives. No doubt, they wish they could combine current policies with high employment. But they cannot. So they dispense with jobs.

Optimists might argue that these targets should at least stimulate reconsideration of damaging policies. But targets are an absurdly indirect means to that end. Far more plausible is the hypothesis that they offer the appearance of action without the pain consequent upon the reality. Targets are propounded not to stimulate action, but to conceal inaction.

In a continent with national labour markets, unemployment cannot be cured by EU discussions. In a market economy, it cannot be remedied by targets. This jobs exercise looks depressingly like a way to evade these realities. But its failure is bound to increase cynicism. Europeans need to be told that low employment and high unemployment are no accident. It is what the continental model of labour market regulation guarantees.

Bulge battle

BZW was one of the first European attempts to marry the financial strength of a commercial bank with the skills and enterprise of an investment bank. In penning its obituary, after the decision by parent Barclays to sell its equities businesses, it is tempting to wax apocalyptic over the prospects for other European banks still trying this game.

Coming so soon after Travelers Group's $9bn deal to combine the once-mighty Salomon with its own Smith Barney brokerage, and the still potent Morgan Stanley's merger with Dean Witter Discover, Barclays' withdrawal bodes ill for other European efforts to join the "global bulge bracket" of dominant international investment banks – now entirely American.

The logic that prompted Barclays to withdraw from equities and advisory business applies as forcefully to most other European investment banks. The recent history of investment banking is of overcapacity driving declining profitability, disguised at times by good returns from proprietary trading. While the cake has shrunk, the slice appropriated by employees has grown, leaving the poor shareholder with crumbs.

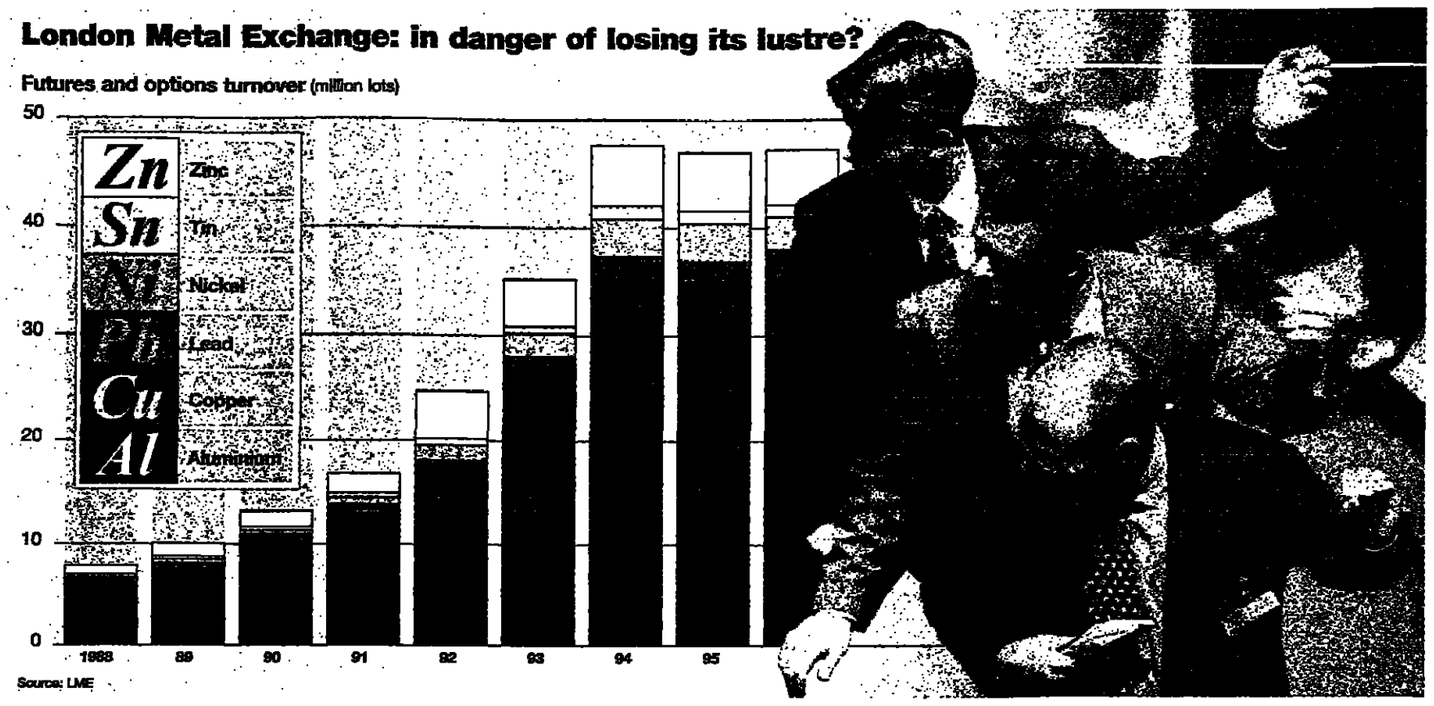
The sorry fact is that those European banks that have chosen to stay in the game are, almost without exception, either more tolerant of low returns than Barclays, or less sophisticated at measuring how low those returns are.

Nor is the picture very different for the Americans. Even for the mighty of the bulge bracket, international investment banking remains in most cases an expensive foible. The difference for a US investment bank is that it can finance its international foibles out of more robust domestic earnings.

Should Europeans worry at this apparently inevitable Americanisation of global finance? The clear answer is no. Investment banking does not require a national or European flag carrier. It is not surprising that US firms have particular strengths in the intermediation of global flows of capital, when the $4,220bn US mutual fund industry makes up such a large proportion of investable assets.

With the gradual winnowing of their European rivals, the US bulge bracket investment banks may look more dominant than ever. Their domination, however, is of the league tables investment bankers find so fascinating, not of the global financial system.

London Metal Exchange: in danger of losing its lustre?



Not such a shining example

The London Metal Exchange is celebrating record turnover, but there are fears all is not well, write **Stefan Wagstyl** and **Kenneth Gooding**

Thousands of metals traders and their clients this week gather to mark another record year for the London Metal Exchange, one of the world's most important commodity markets.

The exchange has recovered with remarkable speed from the shock of last year's crisis when Sumitomo Corporation of Japan, the LME's biggest client, disclosed copper trading losses of $2.6bn (£1.6bn). A survey of exchange users last year made by the Securities and Investments Board, the regulator, revealed some shortcomings in LME procedures, but no fundamental weaknesses. Turnover is at record levels, running at 20 per cent above last year. There are profits aplenty to finance this week's champagne.

But celebrations will be tempered by fears that all is not well with the 121-year-old institution. The exchange is investigating suspicions that several big trading companies are exerting excessive influence on metals prices.

In recent months, the authorities have intervened to limit trading in aluminium and zinc to stop excessive price swings. With limits already in place in copper and lead, four of the LME's seven metals are subject to controls.

The LME contributes to the confusion. Its rules do not require the exchange to explain its actions. Even the membership of the committees that decide on intervention is secret.

Following closely after the Sumitomo affair – where the company's head trader admitted buying huge amounts of metal through fraudulent transactions – such turmoil raises doubts about whether LME prices truly reflect international supply and demand. This is of serious economic concern because almost every non-ferrous metals contract in the world is drawn up with reference to LME prices.

The LME draws vociferous criticism from Nymex, its New York rival. Nymex conforms to tough US laws and claims the LME needs fundamental reforms to make it more transparent. Some London-based analysts agree, including Wiktor Bielski, head of commodities research at Deutsche Morgan Grenfell, a Deutsche Bank subsidiary, who says: "The LME works like a club. The only way to change it is to bring in American-style external regulation."

Mr Bielski is in a minority. SIB's review found most LME users "were broadly content with the service provided". This view is echoed by Robert Wilson, chairman of Rio Tinto, the world's biggest mining company. "There is nothing that the LME is doing that we think it should not be doing," he says. "It is taking steps to improve. This is not to say that the LME is the ideal pricing mechanism, but I'm not sure we could think of anything better."

The LME has grown rapidly in the past decade with turnover increasing tenfold to more than 50m lots, worth $2,000bn, last year. The traditional privately owned London companies, which once dominated LME membership, have been replaced by subsidiaries of international metals and financial companies.

But the exchange still suffers from the same fundamental challenge as 10 years ago: it does not control the markets it sets prices for. Most metals trading takes place outside the LME and outside the UK, far from the reach of the LME authorities. This became painfully clear in the Sumitomo affair, when LME trading revealed no sign of Osaka-based Sumitomo's huge purchases.

However, the modest part of the world's metal that does go through the LME's warehouses plays a disproportionately important role in influencing prices. The LME stocks, for which figures are published each working day, are the most visible part of the global supply chain. The stock levels often change rapidly, generating abrupt price movements. In the long run, the fundamentals of global supply and demand assert themselves. But in the short term, the LME tail frequently wags the dog of the world metals trade.

Such a market can be prone to manipulation. A trader who grabs control of a chunk of LME stocks can wreak havoc among those who happen to be short of metal at a given time. Because LME contracts are traded on margin (where clients put up just 5 per cent of the contract value), determined operators do not need huge financial resources. As little as $20m could be enough to manipulate LME copper stocks.

With considerably more money at his disposal, Yasuo Hamanaka, Sumitomo's trader, controlled up to 1m tonnes of copper, or about 10 per cent of world annual consumption. However, since he concealed his trades through non-LME member intermediaries, the exchange had little evidence that anything was amiss.

Now the LME authorities are keeping a close eye on zinc and aluminium. In zinc, prices started rising after reports surfaced earlier this year that Chinese smelters had gone short (selling metal they did not have, hoping to buy it later at cheaper prices). But prices soared instead of falling. When traders heard Chinese companies were short of metal, they snapped up supplies, exacerbating the shortage, or "squeeze".

Glencore, the Swiss trading group, was reported to have bought control of substantial stocks. Willy Strothotte, the chairman, denied he was profiting unfairly: "We don't believe in cartels and squeezes. But if we are sometimes cautious [buying metal] so that we can cover our needs, that has to be accepted." The shortage of metal for immediate delivery was so acute that the LME authorities set limits on price movements, which are still in force.

In aluminium, shortages developed after Glencore bought metal on the LME at a time when Barclays Metals, a subsidiary of the UK bank, was holding aluminium stocks off the exchange, from which it was supplying customers. Unfortunately for Glencore, it sought particular grades that were in short supply. The price of metal for immediate delivery soared above the price for metal for delivery in three months, an abnormal switch that upset the market. The LME intervened in August and controls remain in place.

How much these squeezes matter is a moot point. The LME says long-term studies show prices move broadly in line with long-term supply and demand and that price volatility has not increased since the 1970s.

Critics counter that, even if periods of volatility are short, they still greatly inconvenience users. As BICC, the British cable maker and a big copper user, says: "We don't think the LME needs fundamental changes. But this year has seen some strange behaviour, which leaves users worried about prices."

Given that the LME executive operates in a difficult market, could it do its job any better? The answer is a qualified yes.

In its review, SIB made 38 recommendations for reform, covering transparency of prices, warehouse stock control and governance. SIB says the LME's supervisory structures, including personnel and computers, have not kept pace with its growth. As Jane Lowe, SIB's head of derivatives markets supervision, will say in a speech today: "I personally see the review as a catalyst for change at the LME, so that its regulatory role keeps pace with its commercial evolution."

In response, the LME is increasing its staff from 40 to 50 and is considering buying new computers. It will publish more trading data, including – for the first time – information about large positions held by LME clients, which could yield signs of possible squeezes.

To counter complaints that it is too protective of its members, the exchange has increased the number of board members from outside the metals trade from two to four, including Kit Farrow, a former senior Bank of England official. However, they are still a small minority of the 18-member board.

Metals companies mostly welcome the changes, though they want them implemented more urgently. "They're moving in the right direction," says Jean-Pierre Rodier, chairman of Pechiney, the French aluminium producer. "But, as we all know, change is a slow process."

Concern remains about how vigorously the exchange will police its markets. The board already has powers to punish members breaking rules with fines, suspensions and even expulsions. After the Sumitomo affair, Lord Bagri, the chairman, promised abusers he would hang them high. But no offenders have been publicly identified, let alone brought to book. David King, chairman of the LME, says inquiries take time.

The LME is also vulnerable to charges that it suffers from a fundamental conflict of interest. In the long run, its members benefit from the exchange authorities' efforts to stamp out manipulation. But in the short term, brokers who are fast enough to take advantage of a squeeze can profit handsomely. The exchange says it avoids conflicts of interest by delegating market investigations from the member-dominated board to committees made up of people with no interest in the metal under investigation – including respected outsiders, among them a High Court judge.

Mr King insists that the safeguards are effective. He says the LME is a "professionals' market" where clients understand the risks. There are no retail investors to protect. So the exchange has not spent too much time in the past promoting its image in the wider financial world. "Our primary audience is our membership, the trade and industry," says Mr King.

But satisfying the interests of those most closely involved with the LME is not be enough. If the exchange is to rid itself of doubts about its practices, those practices must not only be fair. They must be seen to be fair.

· OBSERVER ·

New Roche Prescription

■ Roche may be one of the world's most successful pharmaceutical companies but it's also one of the most mysterious when it comes to plotting management successions. Fritz Gerber, 68, who's dominated the group for 20 years, is handing over the chief executive's baton to Franz Humer, 51, who joined from Glaxo less than three years ago. But it's far from clear that Humer will get the top job when Gerber finally quits as chairman.

Humer, like Gerber, is a lawyer. But he's spent all his career in pharmaceuticals, unlike Gerber, who ran Zurich Insurance successfully alongside Roche until two years ago. Humer is also Austrian and isn't exactly plugged into the Swiss financial establishment.

Andreas Leuenberger, 59, the only full-time vice-chairman and a 30-year Roche veteran, is one contender. But his star seems to be on the wane and he's spending more time chairing the Vorort, Switzerland's top business talking shop. Henri Meier, 61, Roche's much admired chief financial officer, is another possibility. But he might be off to help the Bührle family sort out troubled engineering business Oerlikon-Bührle.

So that leaves Rolf Hänggi, 54, who stepped down as finance director of Zurich in June and has rejoined his old boss as Roche's second vice-chairman. Humer may be the current favourite, but don't underestimate the importance of the Zurich connection which produced Gerber in the first place.

The Roche founding families might, of course, put up one of their own, such as André Hoffmann, 39, a London businessman who joined the board last year. It seems seasoned Roche-watchers have as much chance of forecasting the next chairman as they do predicting the company's next wonder-drug.

Apple turnover

■ Is there anything the British prime minister won't do to spread the gospel? News that squeaky clean Tony Blair – in Moscow today for talks with President Yeltsin – is making a cameo appearance on a Russian radio soap about the everyday lives of Muscovites has sparked intense speculation over his role.

First, Downing Street lets it be known that Tony Blair's motorcade will be halted on his command, so that he can leap from his limo to help unemployed seamstress Varya pick up the apples she spills in front of him. But details of the historic conversation between the two during today's episode of the tantalisingly named *Dom 7, Podiezd 4* – House 7, Entrance 4 – were thin. Observer can help. It seems that as the hapless Varya picks up her apples and tells of her daily struggle, the compassionate crusader volunteers his favourite political catchphrase: "In our country the priority is education, education and education." Will someone put him back in the car, pronto.

Elkin marvels

■ Here's a first: a media failure in the Murdoch household. Elkin Pianim, son-in-law of media mogul Rupert Murdoch, is lying low now that his first publishing venture has flopped.

US-educated Elkin has been busying himself with a putative media empire since wife Elizabeth was packed off to London to oversee affairs at BSkyB, the Murdoch family-controlled News Corp's UK-based satellite broadcaster.

The Nation was launched 10 months ago on a lavish budget to attract some of the best of the capital's ethnic minority writers. But now Pianim has sold the title, apparently the victim of monumental ambition and the entrenched market dominance of rival The Voice.

New owner is Ethnic Media Group, a newspaper business started in a bedsit in the East End of London by two Bangladeshi teenagers in the early 1980s. EMG, now part of fast-growing media group South News, has emerged as a leading ethnic minority publisher, displaying predatory skills which would make Murdoch proud.

Back shop

■ The French town of St-Etienne, home of big retailer Casino, is worried about the impact on its economy of the hostile bid for the company by rival Promodès. So an association – ASSI – has sprung up to campaign for its continuing independence.

ASSI's president is Jean-Yves Grand, whose communications consultancy counts Casino among his clients. His wife works for the company, and he co-ordinates the cycling team sponsored by Casino. Grand has been busy denying suggestions from Promodès that ASSI is funded by Casino or its "white knight" shareholder Rallye. He says the money comes from local businesses, many of which prefer not to be named. Whoever they are, they're a determined bunch: on the day ASSI was set up, it was able to fork out FFr400,000 for newspaper advertisements.

The Financial Times

100 years ago

Relief Of The Poor
We have been inundated recently with "record statistics" relating to the progress of the Victorian era. A new set of figures issued yesterday by the Local Government Board, supplies us with fresh records of a far less satisfactory character. They refer to expenditure on the relief of the poor and purposes connected therewith, and no doubt a great many people will be surprised to learn that during the past financial year no less than £10,216,000 was devoted to these objects. Out-relief was responsible for the largest item in this burdensome total.

50 years ago

Mr Churchill's Review
Winding up the Conference of the Conservative Party at Brighton, Mr Winston Churchill outlined the broad policy of the Party on which they must be ready to fight the next election at any time this year or next. Mr Churchill said wasteful and needless Government expenditure must be reduced by several hundred million pounds a year and the savings immediately used for the relief of taxation. The Socialists, he said, were ruling without the support – and against the wishes – of a majority of the people.

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FINANCIAL TIMES
Monday October 6 1997

ÖAG GRUPPE
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WOLSELEY

Sumitomo Bank sells Y40bn of bad loans

Secret deal struck with Goldman Sachs

By Gillian Tett in Tokyo

Sumitomo Bank, one of Japan's largest, has sold Y40bn ($327m) of its property-related bad loans to the US investment bank Goldman Sachs, which is expected to turn them into asset-backed securities.

The sale, secretly concluded late last month, is the largest move so far by a Japanese bank to get bad loans off the balance sheet.

It will fuel hopes that Japanese banks are starting to tackle the the huge backlog of bad loans they incurred after the collapse of the late 1980's property prices "bubble".

Sumitomo's sale, which represents about 4 per cent of its bad debts, remains tiny compared with the total scale of the problem. But it is likely to be welcomed by Japanese officials. Indeed, the Japanese government is now planning to unveil new measures in the coming weeks to encourage banks to sell their bad loans in an effort to boost Japan's weak domestic economy.

Goldman Sachs' involvement reflects rising foreign interest in the investment opportunities that can be created if Japanese banks start major sales of these bad loans. One western banker said: "There is a lot of interest in buying these bad loans - the problem has been that we could not get the banks to sell them."

Until recently, the Japanese banks have been slow to tackle their huge bad debt problems. Most have made accounting provisions for bad debts. And in a separate move, some banks have started to reduce their assets by selling good loans, often by turning them into asset-backed securities.

But they have been reluctant to sell their bad loans and the property collateral behind them, partly because they still hope the property market will recover.

The only sales of bad loans so far have been relatively small or domestic. Bank of Tokyo Mitsubishi recently sold Y5bn of bad loans to a foreign investor; Sanwa Bank sold Y30bn of bad loans to a Japanese investor, and Bank of Yokohama converted some into Y8bn worth of securities for sale in London.

Sumitomo itself is now planning further deals. Yasufumi Kitamoto, general manager of Sumitomo Bank's credit policy department, said: "We believe this is one way to decisively solve the bad debt problem."

The bad loans involve some 250 borrowers with Tokyo-based property. They were chosen because most are in or near legal foreclosure.

Goldman Sachs has taken the loans on to its own books but is expected to restructure them later into asset-backed securities which could then be sold on to other investors.

The move comes at a time when foreign investors are expressing growing interest in the real estate sector in Japan and its so far underdeveloped market in asset-backed securities.

Satellite loss closes Bombay stock exchange

By Mark Nicholson in New Delhi

India was forced yesterday to abandon its most sophisticated telecommunications satellite after a power failure meant scientists were unable to control the propulsion unit.

The loss of Insat-2D is expected to close India's biggest stock exchange, the Bombay-based NSE, at least until Thursday.

It has also disabled telephone exchanges in remote north and east Indian states and taken one of the state broadcaster's national television channels off the air.

Indian scientists worked over the weekend to try to salvage the domestically designed and built satellite after an initial power failure on Friday. However, the unit developed a further propulsion malfunction on Saturday, eventually losing its "earth lock", which keeps the satellite directed at earth.

Insat-2D cost about $100m to build and was launched on a European Ariane rocket in early June.

Its loss is a blow to India's space ambitions and follows last week's flawed launch IRS-ID, a smaller, locally built low-orbit remote sensing satellite. The satellite was placed into an elliptical orbit rather than the intended polar orbit. Indian scientists are working to fix the mistake.

The loss of Insat-2D is more disruptive, particularly to the NSE, which was forced to close trading on Friday when a short circuit on the satellite cut its power to just 25 per cent.

The three-year-old NSE serves 160 Indian cities and accounts for up to 70 per cent of India's share trading through a satellite-linked on-screen network of brokers.

The exchange said yesterday it would take at least until Thursday to shift users back to older Indian satellites.

"We have four more satellites and, fortunately, Insat-2D was lightly loaded, so we should be able to manage with the other satellites," said K. Narayanan, director of the Indian satellite programme from Bangalore.

However, R. Patil, managing director of the NSE, described the satellite loss as a "calamity", claiming the exchange could lose up to $2bn through interrupted trading and the cost of redirecting its users' terminals.

The satellite failure will stall the NSE's plans to expand its network from 1,630 to 2,500 users and delay India's space programme by several months, said Mr Narayanan.

The launch of India's next telecommunications satellite, Insat-2E, is expected before June next year.

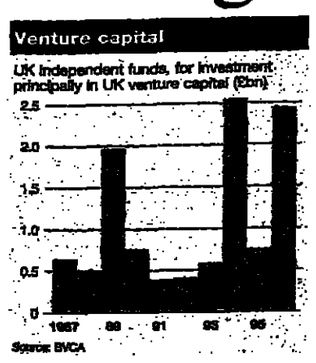
THE LEX COLUMN

The earnings game

US companies are scrambling to take each other over: 1997 is on the way to beating all previous records. And they are paying as never before. WorldCom has bid nearly twice MCI's stand-alone fair value, Travelers is offering 13 times Salomon's volatile earnings, and Barnett Banks is going for four times book value. Yet these deals have been met by widespread applause from Wall Street.

Bull market hubris is part of the explanation. But US investors appear, almost by nature, to be optimistic – eager to focus on a transaction's opportunities when their European counterparts, unfortunately, would stress the risks. They also seem more willing to trust a proven management. Compare the personality cult surrounding hot-shot chief executives such as WorldCom's Bernard Ebbers and Travelers' Sandy Weill to the more grudging respect accorded to, say, Sir Clive Thompson of the UK's Rentokil.

Less excusable is the US obsession with earnings per share (eps). Promised earnings enhancement, or lack of dilution, is the overriding yardstick by which deals are judged. This is often nonsense. In an all-stock takeover, eps can easily be boosted if the target's earnings are growing more slowly and its price/earnings ratio is lower than the bidder's, as with MCI/WorldCom. In a cash deal, earnings enhancement is often the result of gearing up the predator's balance sheet, not the actual takeover. If investors instead tried to pinpoint how much value was being added, recent deals might be seen in a rather different light.



Private equity

Could it be that Britain's conglomerates, such as Hanson and BTR, have withered on the vine only to be replaced by a new breed – the private equity fund? Certainly, the sector is in rude health. The $2.5bn raised last week by Doughty Hanson may have been the biggest ever private equity sum raised in Europe, but it was simply the latest in a number of similar big fund-raising efforts. And some of the bigger vehicles, such as Schroder Ventures and Charterhouse Development Capital, now have broad portfolios of interest. Moreover, investment banks are getting into the business on their own account, notably Nomura, which has launched a string of high-profile deals, including last month's £1.2bn buyout of Intrepreneur purchase.

The basic similarity is that where once entrepreneurs like Hanson were the scourge of underperforming companies, it is now the private equity merchants – sometimes known as financial buyers – which are performing an important lubricant role in corporate restructuring. They are the corporate equivalent of hedge funds: leveraged vehicles, using very aggressive remuneration structures in pursuit of superior returns. Typically, they buy underperforming corporate assets, which are then restructured and sold on.

But there are also significant differences: the big funds are often private vehicles, pursuing medium-term restructuring projects over a defined time period. And they buy simply to restructure and sell on.

The current boom in European private equity has both a push and a pull factor: US investors, in particular, are being driven offshore by the search for higher returns. US prices have been driven up to the point where it is difficult to secure yields enjoyed in the past. And, as with their public equity counterparts, there is an increasing desire to achieve geographically balanced portfolios.

Europe is exerting a strong pull factor: increasing attention to shareholder value is forcing companies to discard non-core activities. With conglomerates less acquisitive, and trade buyers not always keen to pay up, financial buyers fill the gap. And with the market less developed in Europe than the US, it should be easier to achieve superior returns – at least that is the theory.

Given these factors, the flow of funds is hardly surprising. But as they grow, the Doughty Hansons will find it increasingly hard to maintain superior returns. To invest its new funds will require some 15-20 large deals. To achieve a high strike rate, the company will have to be aggressive in finding deals. Indeed, this is one side-effect of the expanding pool of private equity funds: they become a reason in themselves for expecting corporate restructuring, since the funds need to find a home.

Right now, the environment is benign and funds are flowing in. Given the corporate restructuring Europe faces, there should be ample outlet for these funds. But the proof of the pudding will come with a downturn. Only then will it become clear who has invested wisely.

UK demergers

Griffins, sphinxes and unicorns may exist only in mythology. But their corporate equivalent, weird combinations of businesses, are alive and kicking in Britain. One reason for this is advance corporation tax (ACT), so government plans to scrap it (as yet unannounced) could hasten their extinction.

Perhaps the best example of a corporate griffin is BAT Industries, a curious mix of mainly UK financial services and international tobacco. No industrial logic in that. But there is tax logic. Because the ACT payable on dividends can only be offset against UK taxable profits, demerging financial services and tobacco could be costly: the fabulously cash-generative tobacco arm would be unable to pay out substantial dividends without suffering double taxation. But when ACT goes, a demerger could proceed – potentially unlocking substantial value, given that BAT trades on a *big discount to the sum of its parts*. A particular advantage is that the financial services arm would then be freer to engage in the consolidation of its sector, either as a buyer, merger partner or target.

Another way ACT could hasten the twilight for strange corporate beasts is by encouraging "cash demergers", where a company sells a division and passes the cash straight to its shareholders. At present, ACT would have to be paid on such a cash distribution. Not surprisingly, most UK demergers consist of tax-free distributions of shares. Sometimes that is also the most logical way forward; but often a higher price would be achieved through a trade sale. Without ACT, companies will be able to pursue the route that delivers most value.

Poland faces big bill to bring water supply to EU standard

By Christopher Bobinski in Warsaw

Poland may have to spend as much as $40bn to bring its water supply and treatment systems up to European Union standards, according to a World Bank study.

Experts said the issue was likely to prove one of the most difficult to resolve at Poland's accession talks with the EU, due to start next February.

Gordon Hughes, author of the report, says Poland will need long transition periods once inside the EU because of the large costs involved.

At present Poland spends about $1bn a year on improving its water systems, but the report estimates that up to $40bn would be needed overall to meet EU standards.

In comparison, the UK's privatised water industry is expected to have spent about $60bn between 1989 and 2004 to bring its water supply network into line with EU directives.

These are due to come into force in six years.

Additional financial burdens on Poland will come in the form of maintaining the improved water systems.

It is estimated that maintenance will run at an annual cost of between $140 and $200 a head and will amount to between 3 and 4 per cent of gross domestic product. The cost of water to the population in Poland is negligible at the moment.

Improving the quality of Poland's air will be less of a financial strain, according to the report, which notes that considerable progress has already been made in reducing sulphur emissions.

The World Bank estimates that Poland needs to spend up to a further $3.5bn on meeting EU sulphur emission targets that have been set for 2005 and 2010.

The main challenge on air quality that now faces the country is to cut the use of coal as a fuel for household heating.

To achieve a reduction would cost up to $8bn over eight to 10 years, but would also deliver a powerful blow to the country's loss-making coal-mining industry.

The Solidarity-based coalition, which won last month's parliamentary elections, is less keen on restructuring the coal industry than is the Freedom Union, its likely coalition partner in government.

Italian government to sell state telecoms stake

Continued from Page 1

share entitlement for Italian retail investors. Assuming the full exercise of the greenshoe option, the Treasury will have sold its remaining stake of 32.8 per cent in the company.

Telecom Italia will start road shows today in Milan. The offer opens Monday, October 20, and closes October 24.

The Treasury last week placed 9.02 per cent of its holding with 14 core shareholders, which paid L6,100bn for their combined stakes.

The offer has been structured in five parts: a minimum of 700m shares for Italian retail investors, with up to 25 per cent reserved for employees; 160m shares for institutional investors; 160m shares for UK institutional investors; 220m shares for public offerings in the US and Canada; 160m shares for investors elsewhere.

Whirlpool

Continued from Page 1

and Latin America combined will account for sales of some 10m-12m microwaves a year by early next century, according to industry forecasts, up from 7m-8m.

Whirlpool's new Brazilian factory is earmarked to make up to 1m microwaves a year by early next century.

The company is thought to be keen on expanding production from China to up to 2m units a year.

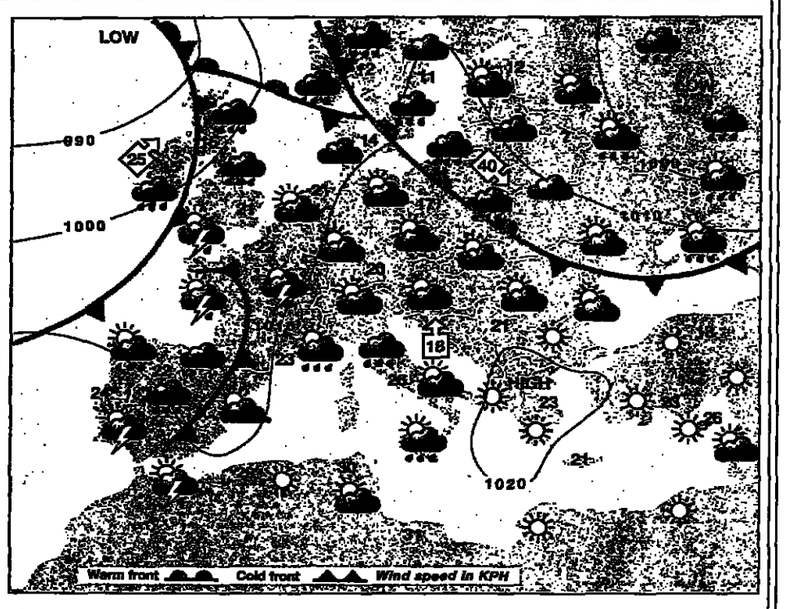
FT WEATHER GUIDE

Europe today

High pressure will keep Greece and the Balkan states warm and sunny. Austria, Switzerland, Germany and much of central Europe will also enjoy some sunny spells. Southern Italy will have the odd thundery shower, but most of the north will remain fine. The Iberian peninsula and France will have thundery downpours. North-eastern France and the Low Countries should stay mainly fine. Western Russia will be cool and overcast with rain. Central and southern Scandinavia will also be mainly cloudy with outbreaks of rain, but northern areas, including Finland, will have some sun.

Five-day forecast

Northern Europe will be unsettled with prolonged periods of rain. Today's storms in Spain will reach Italy tomorrow which will continue stormy for the next few days. Eastern Europe will be mainly fine tomorrow, but the westerly airflow will bring rain before the end of the week.



TODAY'S TEMPERATURES

Situation at midday. Temperatures *maximum* for day. Forecasts by PA WeatherCentre

	Maximum Celsius									
Abu Dhabi	Sun 37	Beijing	Sun 19	Cardiff	Rain 18	Frankfurt	Fair 21	Madrid	Cloudy 22	Rangoon	Fair 32
Accra	Fair 30	Belfast	Rain 16	Casablanca	Fair 25	Geneva	Cloudy 20	Majorca	Sun 27	Reykjavik	Cloudy 8
Algiers	Fair 29	Belgrade	Fair 23	Chicago	Shower 26	Gibraltar	Thunder 23	Malta	Fair 27	Rio	Cloudy 26
Amsterdam	Fair 20	Berlin	Fair 18	Cologne	Fair 21	Glasgow	Rain 17	Manchester	Rain 18	Rome	Fair 26
Athens	Sun 23	Bermuda	Cloudy 27	Dakar	Fair 31	Hamburg	Fair 18	Manila	Thunder 31	S. Frsco	Sun 24
Atlanta	Sun 31	Bogota	Thunder 22	Dallas	Thunder 29	Helsinki	Fair 10	Melbourne	Fair 18	Seoul	Sun 21
B. Aires	Fair 18	Bombay	Fair 33	Delhi	Sun 28	Hong Kong	Thunder 29	Mexico City	Shower 25	Singapore	Thunder 31
B'ham	Shower 20	Brussels	Fair 22	Dubai	Sun 38	Honolulu	Sun 32	Miami	Thunder 30	Stockholm	Fair 11
Bangkok	Thunder 35	Budapest	Sun 19	Dublin	Rain 16	Istanbul	Sun 20	Milan	Shower 22	Strasbourg	Fair 23
Barcelona	Fair 24	C'hagen	Cloudy 14	Dubrownik	Fair 23	Jakarta	Thunder 32	Montreal	Cloudy 25	Sydney	Fair 19
		Cairo	Sun 30	Edinburgh	Rain 17	Jersey	Shower 20	Moscow	Rain 6	Tangier	Thunder 26
		Caracas	Fair 32	Faro	Thunder 24	Johannesburg	Fair 23	Munich	Sun 20	Tel Aviv	Sun 28
						Karachi	Sun 32	Nairobi	Fair 25	Tokyo	Cloudy 22
						Kuwait	Sun 39	Naples	Fair 26	Toronto	Cloudy 26
						L. Angeles	Fair 26	Nassau	Fair 30	Vancouver	Rain 13
						Las Palmas	Fair 27	New York	Sun 29	Venice	Fair 22
						Lima	Cloudy 22	Nice	Shower 23	Vienna	Fair 20
						Lisbon	Shower 24	Nicosia	Sun 27	Warsaw	Fair 15
						London	Shower 22	Oslo	Cloudy 13	Washington	Sun 30
						Luxbourg	Cloudy 20	Paris	Fair 23	Wellington	Shower 12
						Lyon	Cloudy 26	Perth	Sun 28	Winnipeg	Cloudy 12
						Madeira	Cloudy 24	Prague	Sun 18	Zurich	Fair 22

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INSIDE

Budapest set to bounce back

Until early August, the Budapest stock exchange was not so much a bull as a rampant bison, growing 91 per cent in the first seven months of the year. Then the BUX dropped 15 per cent in the course of a few days. However, the evidence now points to a stable future growth. Emerging Markets, Page 24

MARKETS THIS WEEK

New York
Bond and equity prices are buoyant. The Dow ended on Friday just 220 points short of its record high and treasuries soared after weaker-than-expected employment data relieved anxiety that the economy might overheat. Page 23

Frankfurt
Speculation is increasing about when the Bundesbank will tighten monetary policy. It left the short-term repo rate unchanged last week, but analysts think it is only a matter of time before rates will be moved higher. Page 23

London
The market's breathtaking recent performance – it has risen 10 per cent since the middle of last month – has caught market-makers on the hop. And there may be more upside for equities and gilts if reports of the UK joining Emu sooner rather than later are true. Page 23

Tokyo
Markets are digesting last week's dismal economic data and remarks by prime minister Ryutaro Hashimoto, who admitted that the state of Japan's economy was "extremely bad". Page 23

GLOBAL INVESTOR

Swinging closer to stability
The following rule of thumb may well prove a better predictor of policy of the new European Central Bank than expensive economists: failing a collapse of monetary control, euro interest rates are likely to be somewhere between 3 and 4 per cent almost all the time. Page 22

INTERNATIONAL OFFERINGS

Price is now the issue for telecoms
France will today announce the issue price for the 20-25 per cent stake being sold in France Telecom. Italy has given the go-ahead for the sale of its remaining stake in Telecom Italia. A third tranche of Portugal Telecom will also be sold soon. The issue facing all three governments is how to price the offerings. Page 22

CURRENCIES

D-Mark speculation hots up
As the chances of a US interest rate rise recedes, the German D-Mark may move to the front rank of interest rate speculation. Some analysts expect a policy shift on Germany's securities repurchase rate when the Bundesbank council meets on Thursday. Page 23

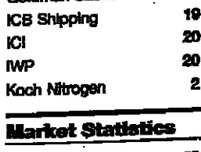
COMMODITIES

Coffee meeting looks for price clues
Delegates at F.O. Licht's world coffee conference, in London today and tomorrow, have much to discuss. Coffee prices have lost more than half their recent gains since they peaked in June. The question on everyone's mind is where do prices go next. Page 23

INTERNATIONAL BONDS

Emerging borrowers reinforce dollar
The growing proportion of emerging market borrowers reinforced the dollar's dominance, with the US currency's share up from about 40 per cent a year ago to over 50 per cent. Page 24

FT GUIDE TO THE WEEK – full listings Page 34



BILL GOES SOUTH
President Bill Clinton begins his first official trip to South America on Sunday, starting in Venezuela and then going on to Brazil and Argentina. Attention will focus on what he says about trade and the proposed Free Trade Area of the Americas.

ROYAL VISIT
Queen Elizabeth and Prince Philip arrive in Islamabad on Tuesday for a five-day state visit to Pakistan to mark the 50th anniversary of the country's independence from Britain.

FOREIGN MINISTERS MEET
The fraught trade relations between the EU and the US will be discussed at a Luxembourg meeting of EU foreign ministers today.

NATO ROLE
North Atlantic Assembly parliamentarians meet in Bucharest on Friday to discuss Nato.

Companies in this issue

Allergan	20	Koor	21
Apax Partners	20	MCI Communications	21
Astro Tankers	19	Mashav	21
BAT Industries	18	Mercedes-Benz	19
BZW	19	NPC	19, 20
Barclays	19	Pace Micro	20
British Airways	6	PepsiCo	21
British Telecom	21	Pequiven	2
Casino	21	Promodès	21
Ciat	21	Rallye	21
Coca-Cola	21	SMH	19
Corporation Bank	21	Sampoerna	21
Deltron Electronics	20	Shell Manufacturing	18
Deutsche Telekom	1	Snam Progettie	2
Empresas Polar	2	State Street Res'rch	19
Formula One Holdings	20	Staveley Industries	20
France Telecom	21	Sumitomo Bank	1
Frontline	19	Suntory	21
Genus	20	T&N	20
Goldman Sachs	1	TNT	21
ICB Shipping	19	Telecom Italia	1
ICI	20	Waterstone	20
IWP	20	Whirlpool	18
Koch Nitrogen	2	WorldCom	18, 21

Market Statistics https://www.FT.com

Base lending rates	25	London recent issues	25
Company meetings	6	London share service	26,27
Dividend payments	6	Managed funds service	28-30
FT/S&P-A World indices	22	Money markets	25
FT Guide to currencies	23	New intl bond issues	24
Foreign exchanges	25	World stock market indices	31

Frontline faces rejection by investors set to back merger with Astro Tankers

ICB fends off hostile takeover

By Tim Burt in Stockholm

ICB Shipping, the Swedish tanker operator, is today expected to claim victory in its takeover battle with Frontline, the Bermuda-based shipping group, which last month launched a hostile Skr3.22bn ($424m) bid for the company.

Although Frontline has already acquired more than 50 per cent of ICB's share capital, ICB will announce that investors holding more than half its voting rights have rejected the offer. Instead, investors have decided to support a friendly $309m merger with Greek-owned Astro Tankers.

By merging with Astro, owned by the Angelicoussis shipping family, ICB hopes to frustrate Frontline's attempt to become one of the world's largest independent tanker operators.

The deal followed an aggressive defence by ICB, which accused Frontline of undervaluing the group with its unwelcome Skr115-a-share cash offer.

In a last-minute attempt to salvage its hostile bid, Frontline last week increased the offer for ICB's A shares – which include vital voting rights – to Skr130 a share.

At the weekend, however, it emerged that Frontline had failed to pick up the necessary shares to block the proposed Astro deal.

ICB believes it has secured undertakings from enough holders of its voting rights to push through the Astro merger at an extraordinary general meeting later this month.

Tom Jebsen, chief financial officer at Frontline, warned that the Oslo-quoted company would abandon the bid if it could not prevent the merger.

The likely collapse of its hostile takeover raises the prospect of a fierce battle for tanker customers between Frontline – the shipping vehicle of Norwegian entrepreneur John Fredriksen – and an enlarged ICB.

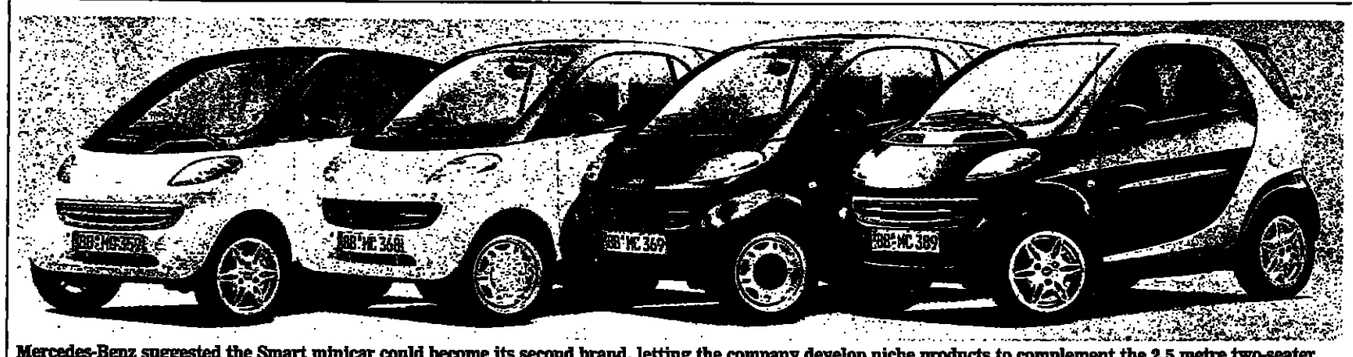
Frontline, the former Stockholm-listed group acquired by Mr Fredriksen for $455m last year, has already announced plans to increase the size of its fleet by six ships to 30 with the takeover of London & Overseas Freighters.

ICB will more than double its fleet to 27 vessels through the Astro merger, including new ships on order.

Both companies want to exploit the cyclical upturn in charter rates for oil tankers, which for some vessels have risen by 30 per cent to more than $50,000 a day in the past three months.

The upturn reflects a shortage of capacity following increased volumes in oil shipments and the scrapping of older vessels.

Until now, the independent tanker sector has been highly fragmented. This has enabled oil companies to play small shippers off against each other to obtain the best chartering rates.



Mercedes-Benz suggested the Smart minicar could become its second brand, letting the company develop niche products to complement the 2.5 metre two-seater

Smart plans from Mercedes-Benz

Luxury carmaker hints at developing the new minicar into its 'second brand'

Mercedes-Benz, the German executive carmaker, has learned not to devalue the prestige image on which its big profit margins are based.

But it is hinting that it wants to turn Smart, the minicar it has developed with Switzerland's SMH watches group, into the company's "second brand".

Mercedes-Benz, which is best known for its luxury limousines, has already edged into new niches. In recent years, the company has shocked traditionalists by making station wagons and multi-purpose "people carriers".

This year has brought more surprises, with the M Class sports utility vehicle and diminutive A Class hatchback.

But there remain large areas of the car industry where Mercedes-Benz's brand-conscious managers still fear to tread. "Using Smart as a second brand could kill two birds with one stone," said one German analyst. "It would let Mercedes-Benz develop more niche products without directly endangering the group's prestige image."

The company's freedom to exploit the Smart brand increased in late August when it raised its stake in Micro Compact Car, the joint venture behind the vehicle, from 51 per cent to 81 per cent. At the Frankfurt motor show last month, Jürgen Hubbert, Mercedes-Benz's head of passenger cars, said the increase might not be the group's "last move".

Having closer control of MCC has made Mercedes-Benz bolder about its intentions. Dieter Zetsche, head of sales and marketing, said: "We can see Smart more and more as an opportunity rather than just a necessity."

Mr Zetsche denied there had been any final decision on putting more Smart-branded cars in the showroom. But he said if the company was to go ahead, future Smarts would stand out from Mercedes-Benz models by their design and function rather than their dimensions or engine capacity.

That opens the prospect of new products to complement Smart's tiny two-seater, which is due to go on sale in continental Europe next March.

Broadening the range offers various advantages, according to analysts. Most obviously, it would allow Mercedes-Benz to spread the heavy investment made in establishing MCC and the Smart brand around a wider group of products.

Smart's stand at Frankfurt was crowded with visitors viewing the car for the first time. However, many analysts believe the Smart will remain a curiosity after sales start.

Uncertainty about its commercial prospects, which depressed SMH's share price, was one reason behind the Swiss company's decision to reduce its stake in MCC.

MCC expects to build 200,000 Smarts a year once peak production is reached at its factory in Hambach, eastern France. The company forecasts that fashion-conscious Italy will be its biggest market, with sales of 57,000 units, followed by Germany with 45,000 and France with 40,000. However, expanding beyond just one model could protect the company from unexpected swings in taste.

The company is already gearing up to start sales. The first "Smart Centre" dealership has been completed at Oberhausen in northern Germany. MCC expects to have 104 out-of-town Smart Centres operating by the end of next year, along with about 250 smaller sales points in its eight European markets. The company is also setting up telephone centres to receive orders and distribute information.

A European advertising campaign will start next month before the official opening of the Hambach factory on October 27.

But relying on just one car is as big a risk for dealers who have invested heavily in the new Smart Centres, as for MCC.

Although the basic 600cc three-cylinder turbo-charged petrol Smart is expected to spawn a number of derivatives, including diesel, hybrid and electric versions, many dealers are believed to have pressed MCC to diversify. Lars Brorsen, MCC's president, said he had been pressing for an expansion for some time.

Mr Brorsen said diversification would reassure dealers and added that the highly modular Hambach factory could be easily extended to produce a broader range.

What other cars might be produced under the Smart brand remains a mystery. However, with most of Mercedes-Benz's product launches out of the way, the management now seems determined to devote more time to Smart.

Haig Simonian

State Street sets up arm to serve sports stars

By John Authers in New York

State Street Research, one of the oldest US mutual fund companies, is to set up a division to manage portfolios for professional athletes in the first venture of its type by a mainstream fund manager.

The opportunities are obvious. Last week, the Minnesota Timberwolves basketball team set a record for the richest contract offered to a sportsman when it agreed to pay $125m over six years to Kevin Garnett, a player who only left high school two years ago.

Basketball is not the only sport offering huge rewards. Last week also saw Wayne Gretzky, arguably the greatest ice hockey player ever but now nearing his 37th birthday, offered $18m to play another three years for the New York Rangers.

The problem for rich athletes is knowing how to hold on to the money, according to Derek Sanderson, who will be in charge of introducing sporting clients to State Street Research. Mr Sanderson has first hand experience having played a leading role in winning ice hockey's top trophy, the Stanley Cup, for the Boston Bruins in 1970.

"At one juncture, I was extremely well paid – I received $2.65m in 1972," he said. "I had an agent and I had people who supposedly handled my money. Six short years later, it was all gone."

Mr Sanderson's response has been to build a second career encouraging young athletes to take a long-term look at their finances.

He already has 90 clients under his wing, mostly from ice hockey, with combined projected salaries for the next year of $50m.

All this money will now be managed by State Street Research.

A specialist sports portfolio management group is necessary because athletes create unique financial planning problems, Mr Sanderson said.

"At 18 years old, they are already well-paid, seven-figure athletes. These risk profiles are very different from a 50-year-old who's just sold his business."

BZW sale will not curtail capital role, says Barclays

By James Mackintosh in London

Barclays will remain an important player in the world's capital markets after the sale of much of BZW, the man named to head the part to be retained by the UK retail bank, said yesterday.

Robert Diamond, currently head of BZW's global markets division and soon to be chief executive of the newly formed Barclays Capital Group, said the new division would be more than a niche player in spite of plans to sell the equities and stockbroking divisions.

"We are certainly going to be more focused. When you try to be too many things to too many people, you are bound to fail," Mr Diamond said. "This is the beginning of a terrific opportunity."

Mr Diamond pointed to the £1bn ($1.6bn) turnover generated by the parts of BZW that Barclays is to keep. These are the currency, credit, interest rate, commodity and structured finance operations. He dismissed claims that the decision to break up the investment bank was forced on the company by recent Wall Street mergers.

It was a "proactive, not reactive" choice of how best to maximise returns, client service and employee opportunity and left a "global business, with strong client relationships around the world".

Mr Diamond said BZW had been "in a position where there was a risk of spreading its investments too thinly" in its attempts to compete with the large Wall Street investment banks, such as Salomon Brothers and Merrill Lynch.

Barclays said yesterday that the bonus pool to be shared by "key" BZW staff, in the back office as well as the high-profile traders and senior management, is to be increased to prevent employees leaving in advance of the break-up and sale. The company refused to disclose the extra amount.

BZW's sale is being handled by Goldman Sachs.

Editorial Comment, Page 17

UK car parking group plans to expand to continental Europe

By Charis Gresser in London

National Parking Corporation, the UK company built by Sir Donald Gosling and Ronald Hobson 45 years ago as part of a scheme to convert London bomb sites into carparks, is planning a move into mainland Europe which could double the group's size.

The company, which is preparing for a full listing on the London Stock Exchange, is considering spending between £300m and £300m ($324m-$486m) on private carpark groups in Germany, France and Spain. It has spoken to up to four companies.

Bob Mackenzie, chief executive, said the company is also looking at expanding into the US, possibly by acquiring another company. "The ideal is a company which owns, say, eight or 10 sites. Any larger and it becomes more difficult to manage." He added that the US market was still in its infancy.

If the company succeeds in its acquisition plans, it will consider demerging Green Flag, its breakdown recovery business. Mr Mackenzie has already stated NPC's intention to seek a full market listing before 1999. Its shares are quoted on the junior Ofex market in London.

Some 72 per cent of the company's equity is owned by Sir Donald and Mr Hobson, the co-chairmen. The company has yet to decide whether or by how much the two men will dilute their holdings when it upgrades to a main market listing.

Earlier this year, the two netted more than £15m each from a special dividend. The company operates and owns 520 carparks in the UK under the National Car Parks (NCP) brand. It is finding difficulties buying sites, acquiring just five in the past three years.

NPC reported an 83 per cent rise in pre-tax profits to £46.1m in the year to March 1997 on turnover up 6.5 per cent to £329.1m. Stripping out exceptional costs and an accounting change, the underlying growth in profits was 10.3 per cent.

NPC expansion, Page 20

This announcement appears as a matter of record only. *July, 1997*

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of

65,732,200 Shares

on behalf of the

Ministry of State Treasury of the Republic of Poland

Joint Global Coordinators

Barclays de Zoete Wedd Limited — Union Bank of Switzerland

Joint Lead Managers

UBS Limited — Barclays de Zoete Wedd Limited

Robert Fleming & Co. Limited — Merrill Lynch International

Commerzbank Aktiengesellschaft — Creditanstalt Investment Bank

ING Barings — Nomura International — Paribas

Polish Lead Manager

Wielkopolski Bank Kredytowy S.A.

Private equity house seeks European opportunities in area regarded as riskier part of market

Apax to plough $200m into young ventures

By Katharine Campbell, Growing Business Correspondent

Apax Partners, the London-based international private equity group, is set to devote at least $200m (£123m) of a new fund to early-stage investments in European companies, with an emphasis on technology businesses.

Investors are flocking into private equity across Europe, with Doughty Hanson, another manager, saying last week it had raised a record $2.5bn vehicle.

But the bulk of the money has hitherto been directed at large leveraged buy-outs, because these have historically produced the best returns. Early-stage companies, by contrast, are seen as far riskier and find it much harder to attract capital.

Apax is one of the few houses which claim to have done consistently well in this market. While it does not publish its returns, Clive Sherling, a director, says performance has been "at least as good" in early-stage deals as in buy-outs.

It has concentrated on building a team with a range of industrial backgrounds. "In the majority of cases [in early-stage] we are backing entrepreneurs who have worked in a previous career with one of our partners. That makes an enormous difference to the risk you are taking," he said.

Past investments include Computacenter, Waterstone's, New Covent Garden Soup and PPL Therapeutics.

The new fund amounts to $650m, with $500m targeted at the UK and the rest at Germany. It is likely to be spent over three years in a mix of early-stage, expansion capital and buy-out opportunities.

Most existing specialist early-stage funds are considerably smaller – less than £50m. So Apax has been well placed to serve institutional investors which increasingly want to place larger sums with fewer managers.

A bigger fund will also allow Apax to make bigger individual investments. "If you can put in £5m-£6m at a time, you have a more substantial company and you can attract better quality management," said Mr Sherling.

Apax's fund-raising experience suggests a new appetite for the asset class from continental European investors. When it last raised a German fund, in 1990, it received no German money. This time, 40 per cent of the German fund stems from Germany and Switzerland, with the bulk sourced from wealthy individuals. German investors also subscribed to 10 per cent of the UK fund.

Mr Sherling said: "It was a complete surprise. There seems to be a sudden appreciation in Germany, with the flotation of Deutsche Telekom and the creation of the Neuer Markt [a stock market for young companies], that bonds are not the be-all and end-all."

More of the money invested in the UK is likely to find its way into early-stage than buy-out opportunities, while the reverse is likely in Germany.

Lex, Page 18

FOH advisers confident on EC broadcast probe

By Clay Harris in London and Emma Tucker in Brussels

Advisers to Formula One Holdings are confident that its contracts to market broadcast rights for Grand Prix motor racing will pass European Commission scrutiny, enabling an international public offering to proceed, probably next year.

FOH voluntarily submitted its contract arrangements to the Commission, to try to remove one of the doubts which have delayed the flotation, plans for which emerged in March.

The other big hurdle is a dispute between Bernie Ecclestone, whose wife's family trusts own FOH, and some of the 11 teams competing in F1 over the sharing of television revenues and, indirectly, over the teams' desire for a stake in FOH.

The Commission confirmed yesterday that it was examining the arrangements for FOH's flotation under article 85 of the Treaty of Rome, which forbids anti-competitive contracts. There is no deadline for such an investigation.

A Commission official said: "Companies wishing to float on the stock exchange need to offer prospective purchasers a degree of legal certainty on the aspects of the flotation. One of these aspects is compatibility of these arrangements with European competition rules."

Brussels is scrutinising contracts variously involving the Fédération Internationale de l'Automobile, motor sport's non-profit governing body, FOH, racing teams and broadcasters to see whether they are anti-competitive.

The Commission may be particularly concerned about the length of contracts. FOH's deal to manage the FIA's commercial affairs could last to the end of 2021.

In a recent deal which did require, and eventually received, Commission approval – Boeing's merger with McDonnell Douglas – Brussels forced Boeing to rip up exclusive supply contracts with several US airlines on the grounds that they were too long and anti-competitive.

In the case of F1, FOH's advisers believe its long-standing commitment to maintaining free broadcasts of Grand Prix races (eventually supplemented by subscription or pay-per view digital services) will allay the Commission's fears about viewers' access to sport on TV. FOH's main aim is to remove uncertainty and minimise the chance of a legal challenge before proceeding with a flotation.

T&N and suitors to reconvene

By Andrew Edgecliffe-Johnson

T&N, the automotive engineer, will continue talks with Federal-Mogul and other international car parts groups today – 10 days after Federal-Mogul's indicative £1.25bn takeover approach became public.

Hopes of a swift conclusion waned on Friday when Dick Snell, Federal-Mogul's chairman and chief executive, flew back to the US.

Ohio-based Dana Corporation is believed to be among those considering challenging Federal-Mogul for control of T&N.

Federal-Mogul is believed to have a head start on Dana and other potential rival buyers, all of which would have to consider potential competition objections.

Any buyer must convince its investors that T&N has done enough to cap its liabilities for claims from asbestosis sufferers. Fears that T&N's £1bn attempt to do so was not sufficient had depressed its shares before Federal-Mogul's approach.

Analysts said last week, however, that Federal-Mogul's continued interest in T&N indicated it was comfortable that the asbestos liabilities were containable.

T&N's shareholders are pressing Sir Colin Hope, chairman, to hold out for more than the 235p a share which Federal-Mogul has indicated would be its cash offer. Expectations of a higher bid had lifted T&N's shares to 249½p last Friday.



Taking steps to a new structure: Roy Hitchens, chief executive of Staveley Industries (left), with Sia Tabibi

Staveley reorganises facilities services

By James Mackintosh

The facilities services companies owned by Staveley Industries, the diversified industrial group, are to be merged to create a single company with an £80m turnover.

The complex structure of the facilities arm – which includes, MJN Maintenance, the buildings services company, and the Nelson Gas catering business – will be simplified, with all six to trade under the name Integral.

The reorganisation is aimed at boosting profits through expansion, not lower costs, according to Sia Tabibi, managing director of Integral. He denies the new structure is related to Staveley's decision to put its loss-making measurement division up for sale.

Go-ahead for ICI sale to DuPont

By Roger Taylor

The European competition authorities are expected soon to clear the acquisition of the polyester and European titanium dioxide businesses of Imperial Chemical Industries by DuPont, the US chemicals group.

The decision, which may be announced as early as today, would help ICI move ahead with further planned disposals, such as the sale of its US titanium dioxide plant. The company has been reluctant to sell this while there is a risk of the DuPont deal falling through.

DuPont could not buy the US assets because of competition regulations, but Millennium Chemicals has expressed interest in the plant.

The $3bn (£1.8bn) deal, announced in July, will reinforce DuPont's position as market leader in titanium dioxide, lifting its world market share from 23 to 35 per cent. Its dominant position gave rise to concerns that the competition authorities might block the deal.

However, the market for the white pigment is highly competitive and analysts do not believe the deal will create competition problems. Leading paint manufacturers, which are among the biggest users of titanium dioxide, have indicated they are unconcerned by DuPont's enhanced market share.

NEWS DIGEST

Waterstone set to meet investors

Tim Waterstone will this week meet institutional investors representing 40 per cent of shares in WH Smith in his continuing attempt to take control of the UK high-street retailer.

The former owner of Waterstone's book chain, which he sold to Smith in 1989, wants the shareholders to put pressure on Smith's directors to reconsider his plans. The board last week rejected the approach, which involved a cash offer and shares in a new company to be led by Mr Waterstone. However, he is confident he will find support among shareholders.

Other parts of the strategy include selling the US airport and hotel stores division, and possibly parting with the Our Price business. Smith owns 75 per cent of the music and video chain and six months ago refused an offer from Virgin, owner of the remaining 25 per cent.

Smith has said Mr Waterstone's plan offers no value to shareholders and would saddle the new company with too much debt. Mr Waterstone, who is advised by SBC Warburg, will tell investors this week that the debt position is manageable, while his plans for the core chain will rejuvenate sales. The business's poor performance has been one of the main reasons behind the 25 per cent fall in Smith's shares in the past year before Mr Waterstone's offer. Since it was revealed, they have risen 10 per cent.

Christopher Price

Miller to head Pace Micro

Pace Micro Technology, the satellite receiver group which has issued three profits warnings in six months, has announced the appointment of Malcolm Miller as chief executive.

Mr Miller quit in 1994 as managing director of Amstrad, Alan Sugar's consumer electronics group, to head Sega's European operations. His package at Pace is believed to be about £250,000 plus bonus payments.

Peter Morgan, chairman, said Mr Miller was ideal for the job because of his "expertise in the fast-moving competitive electronic retailing field and previous experience as managing director of a public company".

The appointment is a breath of fresh air for Pace, which has been forced to issue profit warnings because of the slow development of multi-channel digital broadcasting. The shares have dived since floating at 172p in June last year and hitting a high of 241½p five months later. They rose 4p to 61½p on Friday on news of Mr Miller's appointment.

The departure in February of Barry Rubery, who founded Pace with David Hood, followed by finance director Steve Jones in June, also weighed on sentiment. Mr Hood, one of the co-founders of Pace, who had been sharing the chief executive's role with Peter Morgan, will become director of technology.

Emiko Terazono

Allergan picks chief

David Pyott, 43, the British-born head of Novartis Nutrition, has been appointed chief executive of Allergan, a US eyecare company, which has been a frequent target of takeover rumours since it was spun off from Smithkline Beecham in 1989.

Mr Pyott, who heads the smallest of Novartis's three core businesses, takes over from William Shepherd, 57, at the end of the year. Mr Shepherd, who joined Allergan in 1966, is also stepping down as chairman and will be replaced by Herbert Boyer, 61, a non-executive director of Allergan.

Mr Pyott, who is of a similar age to Dan Vasella, Novartis chief executive, is the first member of the senior executive team to quit since Novartis was created following last year's merger of Ciba and Sandoz. He joined Sandoz in 1980 and in 1995 was put in charge of its nutrition business shortly after the $3.8bn (£2.3bn) purchase of Gerber Products, the world's largest producer of baby foods.

William Hall, Zurich

Deltron buys in Sweden

Deltron Electronics, the UK components group, is paying a maximum SKr53m (£4.3m) in shares and cash for a Swedish electronics components distributor. The privately-owned Freber Elektronik Leasing will complement Deltron's recent purchase of Conelec of Denmark. Paul Gourmand, chairman, said Freber was expected to "make a positive contribution from the outset".

■ **GENUS**, the UK cattle breeding and farm consultancy group which last week scorned a takeover approach from a consortium, has agreed to buy Hylton Nomis, a specialist agricultural computer software company. The purchase price was not disclosed.

■ **HADEN MACLELLAN** has sold Bowers & Jones to Marker Stahl for £1.95m cash. The purchaser will also assume £100,000 of debt.

■ **HOLT (JOSEPH)** has bought back 150,000 shares, 5.52 per cent of the capital, at £26.3156 each from Cazenove.

■ **IWP**, the Dublin-based personal care and household products company, has acquired the remaining 30 per cent of Polbita, its Polish distributor of household products. The stake was bought from International UNP Holdings for a total of $3m (£1.8m), including the replacement of subordinated loans of $2.38m.

■ **UMECO** is buying Med-Lab International for £1.1m cash. Med-Lab's principal subsidiary distributes materials to the aerospace and petroleum industries. In the year to September 1996 it had pre-tax profits of £157,000 on sales of £2.6m.

Turning sites towards European expansion

Charis Gresser looks at Bob Mackenzie's plans for NPC

Bob Mackenzie, chief executive of National Parking Corporation, thought he knew something about corporate challenges, having run engineering businesses for BTR, been financial controller at Hanson, and finance director at BET. That was before he walked into NPC.

"The people who ran this company were brilliant at going out and getting sites. They were great property spotters, but spent less time on managing the operations," says the 44-year-old Scot. That is something of an understatement.

When he joined, just over two years ago, daily cash collection sheets across NPC's 500-odd car parks were filled in by hand. They were then sent to head office and reconciled with the cash in the bank two months in arrears. Pricing for car parks across the group was done from head office once a year.

Of 200 operations staff, only three had personal computer experience. There were no electronic points of sale, no daily access to sales figures. "We could not have told you who our largest customer was," says Mr Mackenzie. "It's difficult to have a pricing strategy and manage your assets when you have so little information."

But then, it is easy to dispense with new-fangled ideas such as yield management when your business throws off as much cash as NPC's does, and is also growing its top line.

The point is not that NPC was in dire straits before Mr Mackenzie joined. It wasn't. But the opportunities it was missing were considerable.

It has taken two years, but now Mr Mackenzie reckons the company's systems are up to scratch. Databases whirr out daily information on volumes and customers, who are now identified as people rather than car registration numbers. Better systems and basic automation have led to a 10 per cent cut in NPC's £120m controllable cost base.

That was the obvious bit. Now comes the tougher challenge of what to do next. The company has an embarrassment of riches. It converts more than 100 per cent of its profits (once depreciation is added back) into some £65m of cash a year. Roughly 80 per cent of that comes from immediate cash payments, while 20 per cent is paid in advance for season tickets.

Behind this lies the strength of the confusingly-named NCP brand, which NPC has built up. Although it has only 12 per cent of the market, compared with 80 per cent held by local authorities, it is by far the largest private car parking group in the UK.

"This is what we've got: the reliability of all this cash and a name which is virtually generic for car parking. It's got all the characteristics of a business that you'd hope for," he says, unable to restrain a glimmer of excitement.

There are two main directions that NPC could take. The growth in UK car parking is slowing because there are fewer and fewer sites for sale. But continental Europe, where the market is still fragmented, is ripe for expansion.

The other, possibly more exciting avenue – which one senses is closest to Mr Mackenzie's heart – would be to take Green Flag, NPC's breakdown recovery network, into the big league of service companies.

The business accounts for just over 40 per cent of group turnover at £144m. Although its profit margins, at 12 per cent, are nearly half those earned in car parking, its return on investment is much higher. Mr Mackenzie is keen to build up Green Flag's home call-out services, which include unblocking drains, repairing roof tiles, and fixing boilers.

The options for the business to expand are wide open. It could go on an acquisition spree, be kept within the group or spun off.

In fact, the only thing that does not seem open to question is Green Flag's sponsorship of the England football team. "I dream of seeing Gazza cry into his Green Flag shirt with the score: Scotland 9, England 3," dreams Mackenzie, still tasting the bitterness of his country's catastrophic defeat at the hands of the Sassenachs more than 30 years ago.

CESP Companhia Energética de São Paulo

The Government of the State of São Paulo

CESP — Companhia Energética de São Paulo
A listed company — C.G.C. 60.933.603/0001-78

REQUEST FOR PROPOSALS
AS/F/833/97

Sale of Registered Common Shares of the Capital Stock of Companhia Paulista de Força e Luz — CPFL

The State of São Paulo, in compliance with and as a result of the provisions of Law No. 9361 of 5th July 1996, and CESP — Companhia Energética de São Paulo, on their and on behalf of 3rd party sellers, hereby make public the terms of privatisation of Companhia Paulista de Força e Luz — CPFL, through the sale of the common shares of its capital stock.

The procedure for the sale of shares is governed by the *Request for Proposals* and its *Appendices*, by the *Operating Manual* of the BOVESPA, and by the resolutions of the Executive Council of the State Programme for Privatisations.

From 6th October 1997 until 20th October 1997, copies of the *Request for Proposals* will be available at the following locations, on presentation of a receipt for a deposit in the amount of R$ 500.00 (five hundred reais) in the account 033-0154-55-000740-3 with Banespa S.A.

CESP: Companhia Energética de São Paulo
Departamento de Suprimentos — AS
Rua Bela Cintra, 847, 5th floor
São Paulo, SP
Tel.: ++55 11-824 78 42
Hours: 8.30am to 11.30am, and 2.00pm to 4.00pm

CPFL: Companhia Paulista de Força e Luz
Departamento de Suprimentos — AS
Rodovia Campinas — Mogi Mirim, km 2.5,
No. 1755, Campinas, SP
Tel.: ++55 19-758 82 86; ++55 11-758 87 10
Hours: 8.30am to 11.30am, and 2.00pm to 4.00pm

BOVESPA: Bolsa de Valores de São Paulo
Centro de Informações BOVESPA — CIB
Rua XV de Novembro, 275, 5th floor
São Paulo, SP
Tel.: ++55 11-233 21 15
Hours: 8.30am to 6.00pm

BOVESPA: Bolsa de Valores de São Paulo
Rio de Janeiro office
Rua 7 de Setembro, 71, 21st and 22nd floors
Rio de Janeiro, RJ
Tel.: ++55 21-532 46 16
Hours: 8.30am to 12.00pm, and 1.30pm to 6.00pm

SIGMA SECURITIES S. A. - MEMBER OF THE ATHENS STOCK EXCHANGE
TEL: (301) 3354100 - 3311456 - 3245674
FAX: (301) 3252241 - TELEX 210733 ATRA GR
Contact Name: Mr John Marcopoulos
REUTERS PAGES: ATGG-H-I
TELERATE PAGES: 17890-1-2
Internet Page: www. istos.net.gr/sigma

ATHENS STOCK EXCHANGE September 29th - October 3rd 1997 GREECE

ASE INDEX	1779.35	P/E (after tax) 97e/96e	16.9/21.8	GDP (USD bn) 97e	116.45
%Chg (31/12/96)	90.61	EPS GROWTH (%) 97e	23.0	Per Capita Income (USD)	11,197
Yearly High	1785.66	P/E 97e / EPS GROWTH (%) 97e	0.73	Inflation Rate (% Y.O.Y, September '97)	4.90
Yearly Low	932.39	P/CE 97e/96e	14.1/17.2	September 12 M T-Bill rate (%)	9.50
WEEKLY VOL (USD m)	516.90	P/BV 97e/96e	3.8/3.9	1-Month Athibor (%)	11.06
%Chg (Prev. Wk)	-17.59	Div. Yield (%) 97e/96e	3.5/2.8	GRD/US$ (October 3, 1997)	280.31
1 Y Wk Avg Vol. (USD m)	330.91			A.S.E. Market Capitalisation - 03/10/97 (USD bn)	40.70
				IPOs & Rights Issues (in USD m) Jan 1 '97-October 3 '97	1,429.91

FT/S&P ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT/S&P Actuaries World Indices as at SEPTEMBER 30, 1997 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter. The percentage change for each US dollar index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS (number of lines of stock)	Market cap. as at 30/09/97 (US$m)	% of World Index	Market cap. as at 30/06/97 (US$m)	% of World Index	% chge in $ Index since 31/12/96
Australia (76)	219290.7	1.36	222179.8	1.43	5.86
Austria (24)	23881.0	0.15	21068.4	0.14	9.19
Belgium (28)	110567.3	0.69	100170.4	0.64	9.57
Brazil (30)	104518.2	0.65	109912.8	0.71	-48.80
Canada (123)	398578.7	2.48	348449.8	2.24	18.85
Denmark (32)	56286.6	0.35	51786.0	0.33	16.99
Finland (28)	59946.3	0.37	50916.0	0.33	35.89
France (83)	505701.0	3.15	472825.4	3.04	11.97
Germany (59)	614291.7	3.82	569974.8	3.67	22.47
Hong Kong, China (86)	339789.9	2.11	347350.4	2.24	2.01
Indonesia (27)	13071.2	0.08	22753.7	0.15	-37.37
Ireland (17)	32148.2	0.20	26001.2	0.18	16.46
Italy (53)	240645.6	1.50	194510.6	1.25	35.47
Japan (485)	2284475.9	14.22	2642994.4	17.01	-6.76
Malaysia (107)	77542.3	0.48	130078.1	0.84	-50.76
Mexico (27)	88880.8	0.55	72814.1	0.47	53.94
Netherlands (19)	367900.0	2.29	343055.9	2.21	24.94
New Zealand (14)	23815.2	0.15	24822.2	0.16	-9.40
Norway (41)	41170.3	0.26	36173.3	0.23	28.40
Philippines (22)	7848.4	0.05	13426.9	0.09	-52.36
Singapore (42)	49707.4	0.31	62029.5	0.40	-27.44
South Africa (43)	118215.0	0.74	134560.9	0.87	3.34
Spain (33)	181283.1	1.13	173993.6	1.12	25.77
Sweden (49)	234104.6	1.46	214665.7	1.38	23.41
Switzerland (33)	448612.7	2.79	440657.5	2.84	31.95
Thailand (39)	6164.7	0.04	7762.4	0.05	-53.54
United Kingdom (213)	1667704.6	10.38	1478028.9	9.51	17.42
USA (634)	7754809.1	48.25	7226511.8	46.50	27.73
Americas (814)	8346786.9	51.94	7757488.5	49.92	27.73
Europe (712)	4584253.1	28.53	4175832.5	26.87	20.98
Nordic (150)	391537.8	2.44	359541.0	2.27	25.34
Pacific Basin (878)	3021506.6	18.80	3473187.4	22.35	-8.13
Euro-Pacific (1590)	7605759.7	47.33	7649019.9	49.22	7.53
North America (757)	8153387.8	50.73	7574961.5	48.74	27.29
Europe Ex. UK (496)	2916548.5	18.15	2697808.7	17.36	23.06
Pacific Ex. Japan (393)	737030.7	4.59	830193.0	5.34	-12.14
World Ex. US (1813)	8315982.4	51.75	8314557.5	53.50	6.68
World Ex. UK (2234)	14403057.0	89.62	14063045.4	90.49	17.12
World Ex. Japan (1932)	13786286.7	85.78	12998074.9	82.99	22.31
The World Index (2447)	16070761.6	100.00	15541089.2	100.00	17.17

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هكذا من الأصل

IPO from Indian state-owned bank

By Krishna Guha in Bombay

Corporation Bank, India's most profitable state-owned bank, launched a Rs3bn ($82.9m) initial public offering last Friday – the first in a series of such issues by government-owned banks.

The capital-raising IPO of 36m shares priced at Rs80 will give private investors a 32 per cent stake in the bank. The government will retain a controlling stake of 68 per cent.

Later this year, the State Bank of India will start floating stakes in a number of banking subsidiaries. In January, Punjab National Bank is expected with a Rs5bn to Rs6bn offering.

Corporation Bank is one of India's smallest public sector banks but comparable to its biggest private sector rivals with assets of Rs81.5bn.

The bank, which made a pre-tax profit of Rs2.6bn last year, has net non-performing assets of 3.6 per cent – high by international standards but low relative to the proportion of bad loans at other state-owned banks.

Unlike some of its bigger public sector brethren, Corporation Bank avoided the full brunt of political pressure to expand in unprofitable rural areas and bankroll favoured state projects.

It has also benefited from geographical concentration in south India, where credit quality is high. Other banks have encountered widespread bad debt problems in some northern Indian states, including Bihar, Uttar Pradesh and Madhya Pradesh.

Analysts said Corporation Bank had developed a strong fee-earning business, offering cash management services to blue-chip Indian corporates, including Reliance Industries, Mahindra and Mahindra and Bajaj Autos.

"They restructured their operations three or four years ago, much ahead of the competition," said Hemindra Hazari, banking analyst at Caspian Securities.

The issue will be attractive to institutional investors, which have been in short supply of banking paper. Most bank shares are held by the government or state-owned institutions.

However, foreign institutions are unable to subscribe to the offering, and will have to buy in the secondary market, where the shares are expected to open at a premium of up to Rs12.

Casino family delays decision on bid

By David Owen in Paris

Members of Casino's founding Guichard family have decided to keep rival bidders for the French retailer guessing for at least another week.

Meeting on Saturday in Saint-Etienne, the city in central France that houses the company's headquarters, the family opted to delay choosing between Promodès and Rallye, the rival retailers who covet Casino, until a further meeting later this month.

Since the family controls 8 per cent of the shares and 16 per cent of the voting rights, its decision is likely to be crucial, assuming that members can agree a common position.

Rallye, the "white knight" alternative bidder to Promodès, already owns 33 per cent of Casino's shares and will control 43 per cent of the company's voting rights by October 25.

The board of Casino formally declared Promodès's FFr31bn ($5.2bn) bid hostile last week, but members of the Guichard family abstained from the decision.

Promodès interpreted the absence of a vote at the family meeting as "a sign that the wind is beginning to change direction".

Saturday's meeting lasted about three hours, but still ended in time for those family members who wanted to go to Saint-Etienne's Geoffroy Guichard stadium to join a 5,000-plus crowd watching the city's once powerful but now struggling second division football team in what may safely be described as a grudge match.

The opponents were Caen, from Normandy, the home of Promodès, and a team sponsored by Continent, a Promodès brand.

The result was more conclusive than the meeting, with Saint-Etienne running out 3-0 winners to record their first league victory of the season in 13 attempts. A member of the Casino camp yesterday described this as a "divine surprise".

The bid battle is proving a bonanza for the French press, with both sides taking out double-page advertisements over the weekend in a wide range of publications.

The Promodès promotion sought to contrast its "clear, immediate and attractive" offer with the "complex, differred and uncertain" bid of its rival, as well as highlighting the "solemn promises" of Paul-Louis Halley, Promodès chairman, on maintaining and developing jobs in Saint-Etienne.

For Rallye, the Promodès offer would result in "a massive debt load" and "redundancies and restructurings in spite of the good intentions stated".

Rallye's "project" would lead to accelerated development in France and abroad, maintenance of the "very strong" corporate culture and respect for Casino's civic tradition in the Saint-Etienne region.

BT waits for MCI's response

By Alan Cane

MCI Communications, the US target of the largest-ever takeover, is expected this week to make its initial response to the $30bn bid from WorldCom, the fast-growing telecoms group.

The MCI board will meet in the next few days. British Telecommunications which holds 20 per cent of MCI and was well advanced with plans to buy the remainder, is refusing to open negotiations with WorldCom until MCI has made its response.

BT, whose own bid is worth some $24bn, is not expected to attempt to match WorldCom's offer but to rely on its cash and paper approach being of higher quality than WorldCom's all-paper bid.

But the WorldCom move has transformed the outlook, with BT and other operators looking at alternative combinations.

Potential alternative partners for BT range from AT&T, the largest US operator, to regional operators such as Bell Atlantic and Cable and Wireless of the UK, which has a growing US and Caribbean presence.

PepsiCo links with Suntory

By Michiyo Nakamoto in Tokyo

PepsiCo has forged an alliance with Suntory, one of Japan's leading drinks companies, aimed at reinforcing its position in a highly competitive Japanese market, dominated by Coca-Cola.

The two companies expect the alliance to boost Suntory's soft-drink sales by 30 per cent, while PepsiCo sales are forecast to double.

The deal gives Suntory, which is also Japan's second largest soft drinks vendor, control over the marketing, production and distribution of PepsiCo drinks in the Japanese market from next January.

The alliance will increase the availability of PepsiCo drinks throughout Japan, since Suntory has a 10.5 per cent share of the Japanese vending machine market – these machines account for more than 40 per cent of Japan's soft drinks sales. The number of vending machines carrying PepsiCo drinks will, therefore, more than triple to 360,000.

The 17 Japanese Coca-Cola bottlers have a strong hold on the huge soft drinks market, with a 25 per cent market share. Suntory, predominantly a whisky brewer, is in second place with 11.4 per cent while PepsiCo's share is much smaller.

Among the cola makers, Coca-Cola has captured a 75 per cent market share while Pepsi's share has stagnated at about 10 per cent, according to Patricia Horvath at UBS Securities in Tokyo.

"They have been trying to go it on their own and haven't been very successful at all," Ms Horvath said.

In contrast to Coca-Cola, which has built up its own distribution network and controls everything from bottling to distribution, Pepsi has been unwilling to invest as much in Japan, she pointed out.

The deal will complement Suntory's product line-up since it does not sell any cola products.

The most popular soft drinks Suntory produces are oolong tea followed by canned coffee.

Suntory, a privately held company, already has an alliance with Allied Domecq of the UK involving whisky but this is its first alliance in the soft drinks business.

INTERNATIONAL NEWS DIGEST

France Telecom to be priced today

Dominique Strauss-Kahn, French finance and industry minister, will today announce the definitive price of France Telecom shares, amid signs that the initial public offering of the former monopoly telecoms operator is shaping up to be a success.

Mr Strauss-Kahn is expected to make the announcement at 3pm French time. The government has already set a range of FFr170–FFr190 a share for the offer, valuing it at FFr35.9bn–FFr40.1bn ($6.06bn–$6.77bn). Investors will receive their allocations of shares on October 17 and trading will begin in Paris and New York three days later.

A total of 7.5 per cent of the company, or 75m shares, has been allocated to retail investors, with more than 1m small shareholders having so far subscribed for shares. France's Socialist-led government plans to give up more than a third of the company's capital in all, including the eventual transfer of about 7.5 per cent of the shares to Germany's Deutsche Telekom, one of France Telecom's partners in the Global One international telecoms alliance, as part of a long-discussed exchange of shareholdings.

David Owen, Paris

■ ISRAELI ANTI-TRUST RULES

Koor and Clal agree on Mashav

Koor Industries, Israel's biggest industrial conglomerate, yesterday said it reached an agreement with Israel's anti-trust authority to end joint ownership with Clal Industries, an arm of another significant holding company, over Mashav, the building infrastructure and energy company.

Koor and Clal each own 50 per cent of Mashav, which in turn owns Nesher, the Israeli cement monopoly, and other building infrastructure and fuel companies. David Tadmor, director-general of Israel's anti-trust authority, has been trying to bring an end to Koor's and Clal's joint ownership of Mashav over the past months.

Koor said yesterday that Mr Tadmor planned to declare the joint ownership a violation of anti-trust regulations. In a statement released to the Tel Aviv Stock Exchange yesterday, Koor said it disagreed with Mr Tadmor, but planned to end the joint ownership "out of business considerations".

Avi Machlis, Jerusalem

■ INDONESIA

First-half dip at Sampoerna

Shares in Hanjaya Mandala Sampoerna, the Indonesian cigarette producer, nose-dived last week after it reported a dip in first-half net profits. Sampoerna's shares ended at Rp5,700 on Friday, down from Rp6,325. They had fallen 18 per cent in three days.

The Jakarta Stock Exchange index was down 4 per cent on Friday, amid fears that the collapse of the rupiah revealed corporate foreign debt to be much higher than had been reported. But Sampoerna had been expected to profit from a depreciation of the currency as much of its supplies are domestic and the company is trying to boost exports.

Sampoerna announced net profits of Rp185.7bn ($51m) for the first six months of 1997, compared with Rp186.4bn a year earlier. Sales were up 43 per cent to Rp1,402bn, but the cost of sales increased by 63 per cent to Rp925.6bn.

Sander Thoenes, Jakarta

■ STRATEGIC DISPOSAL

TNT to focus on rapid delivery

TNT, the Australian transportation group bought last year by KPN of the Netherlands, is selling A$145m (US$106m) of general freight and logistics businesses to Toll Holdings of Australia in order to focus on its core rapid delivery services. The sale of the units, which have combined sales of A$700m, will be followed by further disposals. James Wilson, chief executive of TNT Australia, said that KPN had carried out a strategic review and decided TNT should focus on four areas: domestic and international time-sensitive distribution, international mail and value-added logistics. Earlier this year KPN merged its mail business into that of TNT.

Elizabeth Robinson, Sydney

PEWC

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Pacific Electric Wire & Cable Co., Ltd.
October 6, 1997

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Seu Parceiro em Mercados Emergentes e de Capitais
ING BARINGS

FINANCIAL TIMES
MARKETS
THIS WEEK

At Home in Emerging and Capital Markets
ING BARINGS

Global investor/ Peter Martin

Swinging closer to stability

Enormous efforts have been put into analysing the future monetary policy of the new European Central Bank. But this effort may be entirely wasted. The following simple rule of thumb may well prove a far better predictor than any number of expensive economists: unless there is a complete failure of monetary control, euro interest rates are likely to be somewhere between 3 and 4 per cent almost all the time.

In less than 15 months, in other words, most of Europe will enter an era of stable, highly predictable interest rates. It is this predictability that provides the hidden rationale for the spectacular convergence of interest rates in recent years and months.

First, a glance at history. As the chart shows, Italy (and other countries with an inflationary record) have had interest rates with higher year-to-year variance than those in Germany. As the Italian economy has been pulled into line with the Maastricht criteria for Emu membership, the yearly swings get less. More stable economies have more stable interest rates. Even if Emu never takes place, as long as Italy maintains its current policies its interest rates will fluctuate less than they did.

But this is only part of the reason for predicting stable euro interest rates. Another, less noticed, reason lies in the nature of the Emu area. There will be much greater divergence between its constituent economies than between the regions of any individual member state.

The ECB will have to set monetary policy to reflect the broad development of the euro area's economy, not that of any individual country. So whereas in a typical national economy, interest rates can closely track the economic cycle, in the euro area the relationship will be much less accurate. This has provided ammunition for eurosceptics, who worry that monetary policy will be a less effective tool for managing individual national economies – just as the monetary policy set by the Federal Reserve may have only passing relevance to economic conditions in, say, Texas. And European nations are much more divergent in economic structure than the states of the US.

Set aside these arguments about the wisdom of Emu, and focus instead on its consequences. The ECB board, meeting in its Frankfurt tower, will be faced with a mixed portfolio of economic evidence. Some national economies will be growing strongly, others in recession. Some will be undergoing a build-up of inflationary pressures, others experiencing strong downward pressure on prices. Overall, these factors will tend to cancel one another out, leading to a much more stable interest rate.

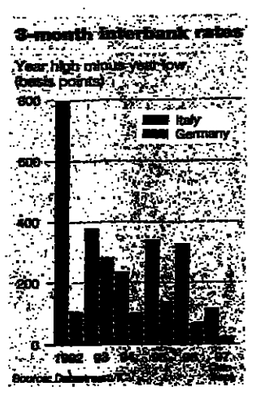
Assuming the ECB can keep a tight enough hold on policy to avoid accelerating inflation – at the euro-area level, at least – official interest rates can be expected to move in a much narrower range, perhaps 3-4 per cent.

Indeed, in the early years at least, the range is likely to be narrower still. If the ECB is worried about the government deficits in the traditionally more spendthrift of its constituent countries, it will be strongly tempted to keep interest rates up at the top end of their range, to offset any laxity in fiscal policy with monetary stringency. This means interest rates may well be stuck between 3½ and 4 per cent. (Deficit pessimists would see this range as 4-4½ per cent.)

The ECB will set short-term rates, but long-term ones are set by the markets. So perhaps they will move in a wider range? Perhaps – but remember that long-term rates are always more heavily influenced by short-term rates than rational analysis would suggest. So they, too, are likely to be stuck in a narrow range, with the traditional movements in the yield curve similarly restricted.

The implications of persistent interest rate stability are profound. For companies, the availability of loan capital at predictable rates will make reliance on short-term debt more feasible. Individuals will similarly become attuned to a settled rate of interest – perhaps leading them to question some of the exorbitant rates charged on credit cards. Since there will almost never be periods of attractive rates on savings accounts, equities will look more attractive. Inside financial institutions, credit risk will take over from market risk as the glamour subject. And traders in euro interest-rate derivatives will have to settle for a much reduced supply of the volatility they crave.

Over time, of course, the euro area will become more homogenous, and the ECB will be freed from its straitjacket. That will take decades, however. Until then, the elaborate analyses on which the new central bank's policy will be based will be largely redundant.



Total return in local currency to 02/10/97

	US	Japan	Germany	France	Italy
Cash					
Week	0.11	0.03	0.06	0.06	0.06
Month	0.47	0.05	0.27	0.28	0.27
Year	5.95	0.68	3.25	3.75	7.08
Bonds 3-5 year					
Week	0.55	0.20	0.05	-0.02	-0.28
Month	1.37	0.55	0.51	0.21	1.04
Year	8.00	4.96	5.30	5.95	14.36
Bonds 7-10 year					
Week	0.74	0.95	0.57	0.15	-0.41
Month	2.16	1.55	2.00	1.00	3.35
Year	9.71	10.3	10.78	10.32	22.99
Equities					
Week	2.8	-2.1	2.8	1.8	0.9
Month	3.9	-2.1	5.3	4.3	4.4
Year	40.9	11.8	56.4	44.5	59.7

Source: Cash & Bonds - Lehman Brothers; The FT/S&P Actuaries World Indices are jointly owned by the FT, the Institute of Actuaries and Standard & Poor's. Emerging Markets Indices are supplied by IFC Emerging Markets Data Base. Currency Indices are supplied by Goldman Sachs & Co., and Standard & Poor's.

COMPANY RESULTS DUE

Cellular product sales set to lift Motorola

Motorola is set today to report second-quarter earnings per share, excluding a one-off charge, of about 51 cents, up from 34 cents a year ago.

Analysts said robust sales of cellular and semiconductor products helped offset expected weakness in China and US paging sales.

Analysts' estimations range from 37 to 67 cents, excluding a charge relating to its decision to quit the Mac-compatible computer systems business after failing to reach a licensing deal with Apple Computer.

Motorola last month warned that the costs of exiting from the Mac business would result in a $95m charge against second-quarter earnings.

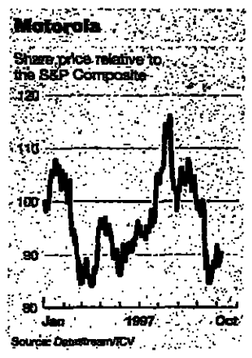
Merrill Lynch analyst Michael Ching said he expected a strong performance from Motorola's cellular business to contribute towards a 15 per cent year-on-year revenue increase.

AFX, New York

■ **Moss Bros**, the UK men's clothing retailer, is expected to announce interim pre-tax profits up about 20 per cent to £6m ($9.72m) today. However, attention is likely to be less on the figures for the half-year to the end of the July than on any statement of current trading. In the past week, a number of retailers have announced flat trading in the weeks after the death of Diana, Princess of Wales, most notably Oasis stores.

■ **Thorntons**, the chocolate maker and retailer, is expected to report a return to the black tomorrow with profits of £11.2m ($18.1m) as the benefits of its restructuring continue to flow through. This compares with a previous loss of £13.8m, reflecting the costs of withdrawing from European operations. In July the group said that sales for the 52 weeks to June 28 had risen 19 per cent to £109.2m. Own-shop sales rose by 30 per cent overall in the second half, with like-for-like growth of 12.4 per cent.

■ There are high hopes for **Cobham's** interim results tomorrow after the UK aerospace group's better-than-expected performance last year. Merrill Lynch sees interim pre-tax profits rising from £20.8m ($33.7m) to £24.5m, earnings per share of 18.1p (15.2p) and a 20 per cent rise in the dividend to 4.2p. Analysts expect news of how Cobham is benefiting from the civil aerospace recovery, and expect its main defence business to be as robust as was indicated six months ago.





■ **JJB Sports** is due to announce its interim results tomorrow and analysts are expecting the retailer's figures to underscore the healthy state of the sportswear and equipment market in the UK.

Dresdner Kleinwort Benson forecasts a big rise in profits to £13m ($21.1m) up from £8.2m at the same half-year stage in 1996, on sales growth of 59 per cent. The buoyant economy, continued demand for branded sportswear and strong, sustained interest in the popular team sports have all played a part in raising sales at JJB.

Analysts are confident the favourable conditions will continue into 1998, particularly with the World Cup in France due next summer.

■ **Accor**, the French hotels and travel group, will on Tuesday report a first-half net profit between FFr665m ($112m) and FFr1.11bn, compared with FFr104m a year earlier, according to analysts' forecasts.

The significant improvement year-on-year in this figure was led by a recovery in its hotels business, said Nigel Reed, an analyst at Paribas Capital Markets.

He is predicting a first-half net profit of FFr665m. A restructuring provision will virtually cancel out Accor's gain on the sale of an 11.5 per cent stake in the UK canteen business Compass, he said, adding that a positive item of about FFr100m would result.

Mr Reed sees a sharp improvement in pre-tax profits before exceptionals, at FFr1.09bn compared with FFr441m in the first half of 1996.

■ **Frogmore Estates**, the UKproperty company, is due to reveal results for the year to June 30 on Wednesday and analysts expect it to produce a net asset value of 475p a share, up from 454p in the same period last time.

The pre-tax line is estimated to come in at £21.5m ($34.8m), and before exceptionals at £23.8m. Investors will be pleased to hear of an advance in the contribution from the housebuilding side, which booked a threefold increase last time.

■ **N Brown Group**, the Manchester-based catalogue retailer, is expected to announce continued strong profits growth on Wednesday, with interim results of £18m ($29.2m) to £19m for the year to August 31. The rise would be another in a series of good results from Brown which, with a present p/e of 24.7, trades at a substantial premium to the retail sector.

■ **House of Fraser** is due to report results for the six months to July 31 on Thursday and analysts expect it to report reduced pre-tax losses of about £3m ($4.9m); down from £13.6m for the same period last time. Investors will be anxious to hear of any increase in like-for-like sales and the performance of the Linea own-label range.

This announcement appears as a matter of record only.

RODOVIA NovaDutra

US$141,380,630.45
and
R$171,120,000
Project Financing
for the rehabilitation and expansion of the
Rio de Janeiro-São Paulo Highway
(Rodovia Présidente Dutra)

US$114,500,000
Project Loan Facility
Arranged by
International Finance Corporation
B Loan Co-Arranged and Underwritten by
Crédit Lyonnais
Funds Provided by
International Finance Corporation
and through IFC participations by

Crédit Lyonnais
Bayerische Vereinsbank AG
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Dresdner Bank Lateinamerika AG
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Banque Nationale de Paris
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Banque Worms Capital Corporation

US$26,880,638.45
Buyer Credit Agreements
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Crédit Lyonnais
Co-Arranged by
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Crédit Lyonnais
Crédit Commercial de France
Banque Nationale de Paris

R$171,120,000
Project Loan
Funds Provided by
BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E SOCIAL

August 1997

INTERNATIONAL OFFERINGS

Issue for telecoms is the price

Dominique Strauss-Kahn, the French finance minister, will today announce the issue price for the 20-25 per cent stake being sold in France Telecom, which has completed investor roadshows.

The Italian government, meanwhile, gave the green light at the weekend to the sale of its entire remaining stake in Telecom Italia, in what is shaping up to be Europe's biggest secondary offering, with a potential value of some $10bn (£6bn).

A third tranche of Portugal Telecom is also to be sold soon. The issue price is due to be struck this week for a further 26 per cent of the company, whose shares have soared in Lisbon ahead of the offering.

The issue facing all three governments is how to price the offerings. The French government and its advisers, Paribas and BNP, have set an indicative range of FFr170-FFr190 a share for France Telecom, below the grey market price of about FFr208 late last week.

Does this mean investors can expect the final issue price to be at the top end of the range? Fund managers say that is likely because the range is at a fairly low level to take account of scepticism, especially among Anglo-Saxon investors, about how far France Telecom will be subject to private sector disciplines once it is floated.

Assuming a price at the mid-point of the range, France Telecom will be floated at about 4.5 times its 1997 earnings before depreciation, interest and tax, the favoured method of valuing telecommunications groups among the main investment banks and stockbrokers. This is relatively cheap – its peers trade at about 5 times EBITDA. On a price to earnings ratio, the range is 10.5 to 12 times.

"The price is very conservatively set, especially when you take into account [France Telecom's] size, a favourable regulatory regime, and the fact that the offering is an IPO," one fund manager said. "On the other hand, you have to provide incentives for people to buy it."

As secondary issues, Telecom Italia and Portugal Telecom are expected to be priced higher. Shares in Telecom Italia have risen sharply in the past year, outperforming the Milan stock exchange by more than 50 per cent in relative terms.

This reflected both a rapidly improving macroeconomic climate in Italy, fuelled by the country's efforts to join the first wave of European monetary union, and a better outlook for Italian telecoms after the merger between Stet and the domestic wireless business.

According to several analysts' reports, Telecom Italia is one of the more inexpensive in Europe based on EBITDA projections, because its potential growth is higher than that of more mature operators such as Deutsche Telekom, British Telecommunications or France Telecom.

This is despite the rapid rise in the Italian company's share price. In recent days, however, the shares have taken a knock from the latest political crisis. Factoring the political issue into the equation will not be easy, especially since a full-blown political crisis would be very damaging to investor perceptions of Italy.

The outlook seems clearest of all for Portugal Telecom, whose shares have also been performing well. And, unlike Italy, Portugal's political outlook, and its prospects for Emu, look serene. The Portuguese government, if it wants to, can probably afford to be a little bit greedier than its French or Italian counterparts.

The Financial Times plans to publish a Survey on

The Business of Space

on Thursday, October 30

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Tel: +212 745 1346 Fax: +212 319 0704

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FT Surveys

Floating Rate Bond due 2005
THE REPUBLIC OF ARGENTINA
In accordance with the provisions of the Fiscal Agency Agreement, notice is hereby given that for the six month Interest Period from September 30, 1997 to March 31, 1998, the Bonds, will carry an Interest Rate of 6.6875% p.a. and the Coupon Amount per U.S. $1,000 originally issued face amount of the notes will be U.S. $32.46.
October 6, 1997, London
By: Citibank, N.A. (Corporate Agency & Trust), Agent Bank

The United Mexican States
Floating Rate Bonds Due 2005
from the New Money Bond Subscription Agreement
Dated as of February 4, 1990
For the period from and including September 30, 1997 to and excluding March 30, 1998, the Rate of Interest is 6.6906, the Interest Amount (per U.S. $1,000) is $33.45 and the Interest Payment Date is March 30, 1998.
CITIBANK, N.A., as Agent Bank
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هكذا من الأصل

MARKETS: This Week

NEW YORK By Richard Tomkins

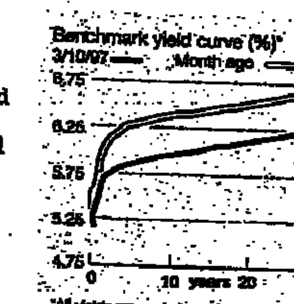
US markets begin the week with both bond and equity prices buoyant. On Friday, stocks and Treasuries soared after weaker than expected employment figures relieved anxiety that the economy was in danger of over-heating.

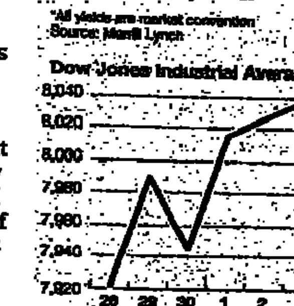
At one point, the Dow Jones Industrial Average was more than 100 points ahead, and the yield on the benchmark 30-year bond was pushed down to 6.16 per cent. Later in the day, a number of factors combined to pull the markets back: but even so, the Dow ended only 220 points short of its record high, and the closing yield of the long bond was its lowest since February 1996.

This week, equity investors' attention is likely to be on the start of the reporting reason for companies' third-quarter results. Several have already warned that results will fall short of expectations – among them, Coca-Cola and Gillette, which undermined confidence in global consumer goods companies with their recent profit warnings. But companies seldom warn of better than expected results, so a few pleasant surprises could set investors' pulses racing.

On the economic front, it is a relatively quiet week for data. The most important report is Friday's publication of the September producer price index, representing inflation at the wholesale level. Standard & Poor's MMS research service says analysts' median forecast is for an increase of 0.2 per cent, due largely to an increase in cigarette prices.

This would represent the second month of rising wholesale prices after seven months of decline: but with the year-on-year comparison essentially unchanged, it is unlikely to cause alarm.





LONDON By Steve Thompson

The equity market's breathtaking performance over the recent past – it rose 104.5 points, or 2 per cent, last week and has now risen a massive 482.6 points, or 10 per cent, since the middle of last month – has caught market-makers on the hop.

And, according to equity market strategists responding to a series of apparently authoritative reports, there may well be more upside for equities and gilts in the short, medium and long-term if reports of the UK joining European monetary union sooner rather than later are true.

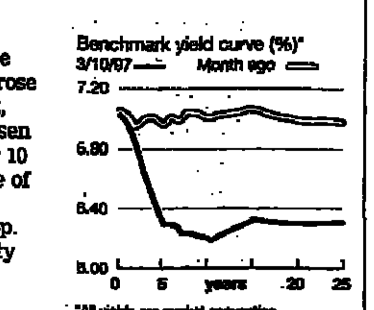
FTSE 100 forecasts were being hoisted by the day and some of the more optimistic fund managers were talking it up to 5,500 ahead of the shift to order-driven trading on October 20.

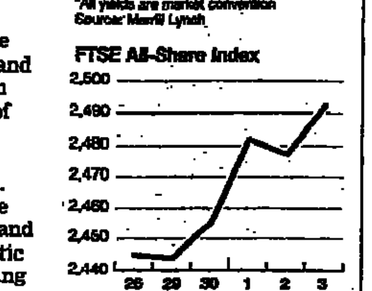
The Emu story was only part of the reasoning behind last week's upsurge. The possibility of the government dumping Advance Corporation Tax drew applause from many in the market, as did the move back above 8,000 by the Dow Jones Industrial Average.

But investors may do well to heed warnings emanating from some powerful investment management groups, notably Gartmore, the fourth biggest UK pension fund manager. It has raised the cash element in its balanced funds to 17 per cent, way above the industry average, and has described the markets as more risky than in 1987.

Monday's industrial production and manufacturing data and Tuesday's inflation data will be taken into account by the Monetary Policy Committee, which meets on Thursday.

On the corporate front, the news list is minimal, only a handful of companies are due to report.





FRANKFURT By Graham Bowley

Speculation is building about when the Bundesbank will tighten monetary policy. The central bank left the short-term repo rate unchanged last week, but the economy is picking up speed and analysts think it only a matter of time before rates will be moved higher.

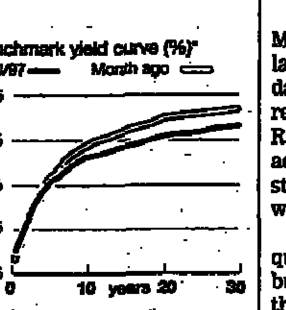
The consensus is that the Bundesbank will act around the turn of the year, in spite of the forecast by one investment house that the central bank was poised to move as early as last week.

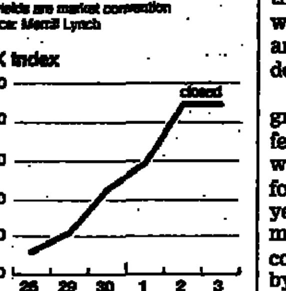
Stefan Schneider, German economist at Paribas in Frankfurt, thinks it will raise the repo rate in the middle of the fourth quarter, although keeping it at a fixed rather than variable rate. Others predict it will move the repo rate in early 1998. The Bundesbank is due to hold its regular fortnightly council on Thursday, but no change is expected on interest rate policy.

The German stock market ended floor-trading sharply higher at the close of trading on Thursday last week. The DAX index of the shares of Germany's 30 biggest companies closed at 4273.71, up 76.73. The markets were closed for re-unification day on Friday. After a long rally throughout this year, analysts are beginning to think that the stock market may be close to its peak.

The share market was given impetus last week after the German government agreed plans to cut the so-called solidarity surcharge – which financed transfers to eastern Germany – from 7.5 per cent to 5.5 per cent.

Veba, the industrial conglomerate, is due to make its debut in New York on Wednesday, when the supervisory board of RWE is also due to meet.





TOKYO By Gwen Robinson

Markets are still digesting last week's dismal economic data and unprecedented remarks by Prime Minister Ryutaro Hashimoto, who admitted on Friday that the state of Japan's economy was "extremely bad."

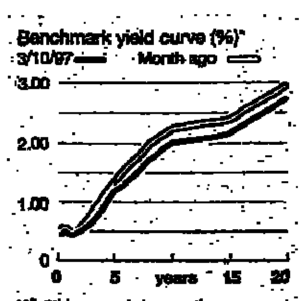
The Bank of Japan's quarterly "tankan" survey of business sentiment indicated that business conditions were worse than expected and were likely to deteriorate further.

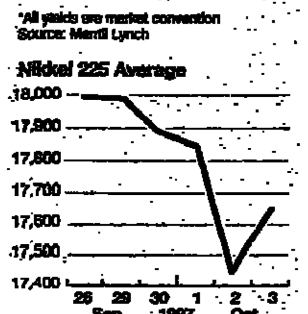
In the equity market, the grim outlook has fuelled fears that many companies will lower their earnings forecasts for the business year to March. In the manufacturing sector, concern has been magnified by expectations that the recent turmoil in Asia economies, the leading market for Japanese exports, will hit exporters.

One bright note is the likelihood that the government will take economic stimulus measures, including the reform of property tax to boost the property market and corporate tax cuts. But analysts expressed doubt about how far it could go and how much markets would react.

The Nikkei 225 average rose on Friday for the first time in seven trading days to close at 17,647,45m, up 192.41, but down 2.5 per cent from the previous week, after losing more than 900 points in the preceding six sessions. Analysts expect a technical rebound in stocks, but predict the 225 index will slide to the 17,000 level before long.

Japanese government bonds, meanwhile, are expected to continue their record performance, with yields on the benchmark 10-year JGB seen as likely to reach new lows in the coming week.





COMMODITIES By Maggie Urry

Coffee meeting looks for clues on prices

Delegates at F.O. Licht's world coffee conference, gathering in London today and tomorrow, have much to discuss. The conference's timing is particularly opportune. Coffee prices rose dramatically during the first half of this year, but have lost more than half their gains since the peak in June.

The question on everyone's mind is where prices go next. Concern over crop shortages earlier this year was behind the price rises, which were exacerbated by speculative buying.

Unwinding speculative positions has contributed to the price fall, while forecasts for 1996–97 have firmed up to over 100m 60kg bags, a sharp recovery from the 88m achieved in 1995–96 and close to world consumption.

Concern still remains, though. For instance, the outlook for Indonesian coffee production is clouded by the current El Niño weather pattern, where unusually high sea-temperatures in the south Pacific lead to climatic changes that reverberate around the globe. Drought in Indonesia has kept coffee traders anxiously scanning weather reports for rain.

Similar concern over drought in Brazil has waned after recent rains. If significant rain also starts falling in Indonesia, the outlook for increasing supply could dampen prices, say analysts at GNI Research.

Thus a session this morning on the supply and demand balance should merit particular attention, as will a speech tomorrow morning on speculation and volatility in the coffee market, which poses the question of how much money the speculative funds have made.

Other papers will address coffee and the environment; consumption trends in Europe, including the central and eastern European markets; the problems of securing high quality coffee supplies; and the growth of new coffee shop chains.

The conference is being chaired by Helmut Ahlfeld, the managing director of F.O. Licht, and the keynote address is to be given by Celsius Lodder, executive director of the International Coffee Organisation.

CURRENCIES By Richard Adams

D-Mark speculation moves to front rank

As the chances of an interest rate increase in the US seem to vanish, the German D-Mark looks set to move to the front rank of interest rate speculation.

Thursday sees an important Bundesbank council meeting, at which some analysts are anticipating a policy shift on Germany's securities repurchase rate – which has been fixed at 3 per cent for well over a year.

Analysts at Deutsche Morgan Grenfell in London say that, although there is no domestic need for higher interest rates in Germany, "we expect the Bundesbank to return to 'normal' repo conditions soon".

That would mean a reversion to variable-rate repo tenders, which DMG thinks may be announced by the Bundesbank, if not implemented, as early as Thursday's meeting.

Such a move could bid up the D-Mark, as banks prepare for increased repo rates.

The pound could be a beneficiary, to the relief of the UK manufacturing sector, helped along by further speculation on the timing and success of an announcement on European economic and monetary union.

However, questions over the direction of UK interest rates may overshadow, at least for this week, the government's policy on Europe.

Tomorrow sees the publication of the Retail Price Index for September and any surge in the underlying rate of inflation could reinforce pressure on the Bank of England to raise interest rates.

The Bank's Monetary Policy Committee meets on Wednesday and Thursday, amid City expectations that rates will remain at 7 per cent. But Bank watchers have calculated that there will be at least one more rate rise, with most expecting it to come after November's meeting.

The Japanese yen could be buffeted by the US dollar on Wednesday, with the publication of August balance of payments data.

However, Peter von Maydell, analysts at UBS in London, says that Japan's export growth has been a result of stronger economic growth in North America, rather than because of a weak currency. Instead, Mr von Maydell said, the yen's value causes import growth to fluctuate.

OTHER MARKETS Compiled by Jeffrey Brown

PARIS

French equities entered new high ground last week with the leading CAC 40 index closing on Friday at 3,094.01.

The domestic drive came mostly from corporate activity, both real and imagined, with the disputed bid for retailer Casino and the $2bn contract catering links between Sodexho and the Marriott group of the US keeping takeover speculation at a high level.

News of ownership changes at Thomson-CSF is widely expected, with the government said to be poised to make a decision on its 58 per cent shareholding. Foods analysts are betting that Danone will shortly announce a big disposal, possibly a grocery business. Banks, too, remain on red alert, with strong talk of a German-led takeover.

Last week's disappointing interims from Lagardère took some of the steam out of France's corporate earnings story, but confidence could be restored over the next few days. Hotels leader Accor, which has risen almost 14 per cent in the past five weeks, reports on Wednesday, with Franco-Belgian banking group Dexia.

HONG KONG

The telecoms sector is set to dominate in the Hong Kong market this week. WorldCom's US$30bn offer for MCI Communications has sparked a general re-rating of telecoms shares, *writes Louise Lucas in Hong Kong.*

On Friday Hongkong Telecom, the territory's biggest carrier, and other operators saw their share prices move sharply higher.

More generally, investors are waiting for Wednesday, when Tng Chee-hwa, the territory's leader, will make his maiden policy speech.

On his agenda are ways of increasing the supply of affordable housing. If he outlines methods that will not entail a sharp downturn in prices, the stock market stands to spike upwards.

Property will also be in focus tomorrow, when Sun Hung Kai Properties reports annual earnings.

Stock market turnover has been dwindling from the peaks seen in the summer, but was still healthy at around HK$11.22bn on Friday. Brokers say many investors are still sidelined and expect trading to remain in a relatively narrow range this week.

STOCKHOLM

Financial power-plays are also the prevailing topic in the Nordic bloc, following last week's SKr16.8bn bid for Trygg-Hansa from SE-Banken.

Shares in the insurance leader closed at SKr248 on Friday, compared with the SKr244 value of the agreed cash bid. Some sector watchers feel that the SE-Banken offer may yet prove only the opening move in an exciting game of corporate chess.

The bid sparked steep gains right across the Nordic financial sectors, which have been in a state of almost constant excitement this year on a wave of bank mergers. SE-Banken itself recently announced that "talks" with state-controlled Nordbanken had been abandoned.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Federal-Mogul (US)	T&N (UK)	Car parts	$2bn	Talks resume
Hellenic Bottling (Greece)/Molino Beverages (Luxb'g)	Merger	Bottling	$1.75bn	No cash exchange
UPM-Kymmene (Finland)	Blandin Paper (US)	Paper	$650	Big bolt-on
Pearson (UK)	All American (US)	TV	$513m	Baywatch buy
Maid (UK)	Knight-Ridder (US)	Publishing	$460m	New online No 1
Frontline (Bermuda)	ICB (Sweden)	Shipping	$425m	Further revision
BankBoston (US)	Deutsche Bank Argentina (Argentina)	Banking	$250m	Deutsche refocus
NTT (Japan)	Teligent (US)	Telecoms	$100m	12.5% stake
Borders Group (US)	Books etc (UK)	Retailing	$64m	Rationalisation
Bodycote Int'l (UK)	HIT (France)	Coatings	$68m	Stepping east

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, October 3, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Country	Currency	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7657.00	4750.00	2695.04	3885.15
Albania	(Lek)	238.979	148.250	84.1135	121.258
Algeria	(Dinar)	94.6587	58.7200	33.3163	48.0288
Andorra	(French Fr)	9.5476	5.9229	3.3606	4.8445
	(Sp Peseta)	239.938	148.845	84.4535	121.745
Angola	(Readj Kwanza)	414490.6	257128.0	145888.2	210312.4
Antigua	(E Carib $)	4.3524	2.7000	1.5319	2.2084
Argentina	(Peso)	1.6110	0.9994	0.5671	0.8174
Armenia	(Dram)	807.774o	501.100	284.312	409.864
Aruba	(Florin)	2.8855	1.7900	1.0156	1.4641
Australia	(Aus $)	2.2133	1.3730	0.7790	1.1230
Austria	(Schilling)	19.9941	12.4033	7.0375	10.1450
Azerbaijan	(Manat)	6367.40o	3950.00	2241.13	3230.82
Azores	(Port Escudo)	289.443	179.555	101.878	146.863
Bahamas	(Bahama $)	1.6120	1	0.5674	0.8179
Bahrain	(Dinar)	0.6077	0.3770	0.2139	0.3084
Balearic Is	(Sp Peseta)	239.938	148.845	84.4535	121.745
Bangladesh	(Taka)	71.8147	44.5500	25.2773	36.4387
Barbados	(Barb $)	3.2422	2.0113	1.1412	1.6451
Belarus	(Rouble)	69859.2o	43338.9	24588.3	35448.5
Belgium	(Belg Fr)	58.6438	36.3795	20.6414	29.7558
Belize	(B $)	3.2240	2.0000	1.1348	1.6359
Benin	(CFA Fr)	954.760	592.290	336.058	484.447
Bermuda	(Bermudian $)	1.6120	1	0.5674	0.8179
Bhutan	(Ngultrum)	58.3061	36.1709	20.5226	29.5845
Bolivia	(Boliviano)	8.5437	5.3000	3.0072	4.3350
Botswana	(Pula)	5.9379	3.6832	2.0898	3.0126
Brazil	(Real)	1.7675	1.0965	0.6221	0.8968
Brunei	(Brunei $)	2.4857	1.5420	0.8749	1.2612
Bulgaria	(Lev)	2827.45	1754.00	995.177	1434.85
Burkina Faso	(CFA Fr)	954.760	592.290	336.058	484.447
Burma	(Kyat)	10.0778	6.2517	3.5471	5.1135
Burundi	(Burundi Fr)	562.881	349.045	198.040	285.494
Cambodia	(Riel)	5145.51	3192.00	1811.08	2610.83
Cameroon	(CFA Fr)	954.760	592.290	336.058	484.447
Canada	(Canadian $)	2.2111	1.3717	0.7783	1.1219
Canary Is	(Sp Peseta)	239.938	148.845	84.4535	121.745
Cp. Verde	(CV Escudo)	152.745	94.7550	53.7617	77.5029
Cayman Is	(CI $)	1.3351	0.8282	0.4699	0.6774
Cent. Afr. Rep	(CFA Fr)	954.760	592.290	336.058	484.447
Chad	(CFA Fr)	954.760	592.290	336.058	484.447
Chile	(Chilean Peso)	667.932	414.350	235.099	338.909
China	(Yuan)	13.3653	8.2949	4.7008	6.7765
Colombia	(Col Peso)	2006.46	1244.70	706.233	1018.08
Comoros	(Fr)	722.100	447.953	254.158	366.394
Congo	(CFA Fr)	954.760	592.290	336.058	484.447
Congo (DemRep)	(Zaire)(2)	221650.1	137500.0	78014.2	112465.2
Costa Rica	(Colon)	364.140	226.300	128.205	184.913
Côte d'Ivoire	(CFA Fr)	954.760	592.290	336.058	484.447
Croatia	(Kuna)	10.0115	6.2108	3.5238	5.0798
Cuba	(Cuban Peso)(1)	37.0780	23.0000	13.0497	18.8124
Cyprus	(Cyprus £)	0.8414	0.5219	0.2961	0.4269
Czech Rep.	(Koruna)	52.9518	32.8485	18.6380	26.8677
Denmark	(Danish Krone)	10.8153	6.7093	3.8068	5.4877
Djibouti Rep	(Djib Fr)	286.486	177.720	100.834	145.362
Dominica	(E Carib $)	4.3524	2.7000	1.5319	2.2084
Dominican Rep.	(D Peso)	23.0919	14.3250	8.1277	11.7168
Ecuador	(Sucre)	6693.03o	4152.00	2355.74	3396.04
	(Sucre)	6690.61a	4150.50	2354.89	3394.81
Egypt	(Egyptian £)	5.4808	3.4000	1.9291	2.7810
El Salvador	(Colon)	14.1131	8.7550	4.9674	7.1610
Equat'l Guinea	(CFA Fr)	954.760	592.290	336.058	484.447
Estonia	(Kroon)	22.7312	14.1012	8.0009	11.5338
Ethiopia	(Ethiopian Birr)	10.7811	6.6880	3.7946	5.4703
Falkland Is	(Falk £)	1	0.6203	0.3520	0.5074
Faroe Is	(Danish Krone)	10.8153	6.7093	3.8068	5.4877
Fiji Is	(Fiji $)	2.3465	1.4556	0.8259	1.1906
Finland	(Markka)	8.6203	5.3655	2.9890	4.3232
France	(Fr)	9.5476	5.9229	3.3606	4.8445
Fr. Cty/Africa	(CFA Fr)	954.760	592.290	336.058	484.447
Fr. Guiana	(Local Fr)	9.5476	5.9229	3.3606	4.8445
Fr. Pacific Is	(CFP Fr)	173.054	108.594	61.6137	88.8224
Gabon	(CFA Fr)	954.760	592.290	336.058	484.447
Gambia	(Dalasi)	15.2006	10.0500	5.7021	8.2202
Germany	(D-Mark)	2.8411	1.7625	1	1.4416
Ghana	(Cedi)	3590.74	2227.50	1263.87	1821.94
Gibraltar	(Gib £)	1	0.6203	0.3520	0.5074
Greece	(Drachma)	448.680	278.325	157.919	227.650
Greenland	(Danish Krone)	10.8153	6.7093	3.8068	5.4877
Grenada	(E Carib $)	4.3524	2.7000	1.5319	2.2084
Guadeloupe	(French Fr)	9.5476	5.9229	3.3606	4.8445
Guam	(US $)	1.6120	1	0.5674	0.8179
Guatemala	(Quetzal)	9.8605	6.1169	3.4706	5.0032
Guinea	(Fr)	1821.56	1130.00	641.135	924.260
Guinea-Bissau	(CFA Fr)(3)	954.760	592.290	336.058	484.447
Guyana	(Guyanese $)	229.710	142.500	80.8511	116.565
Haiti	(Gourde)	26.8095	16.6312	9.4361	13.6031
Honduras	(Lempira)	21.5786	13.3860	7.5943	10.9480
Hong Kong	(HK $)	12.4737	7.7380	4.3905	6.3291
Hungary	(Forint)	314.558	195.135	110.718	159.607
Iceland	(Icelandic Krona)	115.000	71.3400	40.4777	58.3511
India	(Indian Rupee)	58.3061	36.1700	20.5226	29.5845
Indonesia	(Rupiah)	5867.63	3640.00	2065.31	2977.26
Iran	(Rial)	4836.00u	3000.00	1702.13	2453.79
Iraq	(Iraqi Dinar)	0.5012o	0.3109	0.1764	0.2543
Iraq	(Iraqi Dinar)	1934.40m	1200.00	680.851	981.515
Irish Rep	(Punt)	1.1096	0.6883	0.3905	0.5630
Israel	(Shekel)	5.6444	3.5015	1.9867	2.8639
Italy	(Lira)	2783.04	1726.45	979.574	1412.11
Jamaica	(Jamaican $)	55.4529	34.4000	19.5177	28.1368
Japan	(Yen)	197.093	122.260	69.3693	100
Jordan	(Jordanian Dinar)	1.1454	0.7105	0.4031	0.5811
Kazakhstan	(Tenge)	122.206	75.8100	43.0128	62.0072
Kenya	(Kenya Shilling)	98.8232	61.9250	35.1357	50.8503
Kiribati	(Australian $)	2.2133	1.3730	0.7790	1.1230
Korea North	(Won)	3.5464	2.2000	1.2482	1.7995
Korea South	(Won)	1473.37	914.000	518.596	747.587
Kuwait	(Kuwaiti Dinar)	0.4906	0.3044	0.1727	0.2489
Laos	(New Kip)	1645.85	1021.00	579.291	835.106
Latvia	(Lats)	0.9360	0.5807	0.3295	0.4749
Lebanon	(Lebanese £)	2477.64	1537.00	872.082	1257.16
Lesotho	(Maluti)	7.5273	4.6695	2.6494	3.8193
Liberia	(Liberian $)	1.6120	1	0.5674	0.8179
Libya	(Libyan Dinar)	0.6182	0.3835	0.2176	0.3137
Liechtenstein	(Swiss Fr)	2.3395	1.4513	0.8235	1.1871
Lithuania	(Litas)	6.4485	4.0010	2.2701	3.2725
Luxembourg	(Lux Fr)	58.6438	36.3795	20.6414	29.7558
Macao	(Pataca)	12.8847	7.9930	4.5350	6.5377
Macedonia	(Denar)	88.1528	54.6850	31.0270	44.7286
Madagascar	(MG Fr)	7939.11	4925.00	2794.33	4028.30
Madeira	(Port Escudo)	289.443	179.555	101.878	146.863
Malawi	(Kwacha)	27.9940	17.3660	9.8531	14.2042
Malaysia	(Ringgit)	5.4204	3.3625	1.9079	2.7503
Maldive Is	(Rufiya)	18.9733	11.7700	6.6780	9.6270
Mali Rep	(CFA Fr)	954.760	592.290	336.058	484.447
Malta	(Maltese Lira)	0.6315	0.3918	0.2223	0.3204
Martinique	(Local Fr)	9.5476	5.9229	3.3606	4.8445
Mauritania	(Ouguiya)	258.235	160.195	90.8934	131.026
Mauritius	(Maur Rupee)	35.1013	21.7750	12.3550	17.8104
Mexico	(Mexican Peso)	12.4979	7.7530	4.3990	6.3414
Moldova	(Leu)	7.4394	4.6150	2.6184	3.7748
Monaco	(French Fr)	9.5476	5.9229	3.3606	4.8445
Mongolia	(Tugrik)	1265.03	784.750	445.254	641.876
Montserrat	(E Carib $)	4.3524	2.7000	1.5319	2.2084
Morocco	(Dirham)	15.6057	9.6810	5.4927	7.9183
Mozambique	(Metical)	18530.0	11495.0	6521.99	9402.09
Namibia	(S A Rand)	7.5273	4.6695	2.6494	3.8193
Nauru Is	(Australian $)	2.2133	1.3730	0.7790	1.1230
Nepal	(Nepalese Rupee)	91.8035	56.9500	32.3121	46.5811
Netherlands	(Guilder)	3.2001	1.9852	1.1264	1.6238
N'nd Antilles	(A/Guilder)	2.8855	1.7900	1.0156	1.4641
New Zealand	(NZ $)	2.5151	1.5602	0.8852	1.2761
Nicaragua	(Gold Cordoba)	15.6390	9.7010	5.5041	7.9347
Niger Rep	(CFA Fr)	954.760	592.290	336.058	484.447
Nigeria	(Naira)	35.2603o	21.8950	12.4176	17.9012
	(Naira)	132.184m	82.0000	46.5251	67.0702
Norway	(Nor. Krone)	11.3405	7.0350	3.9916	5.7541
Oman	(Rial Omani)	0.6206	0.3850	0.2184	0.3149
Pakistan	(Pak. Rupee)	65.2530	40.4795	22.9677	38.1094
Panama	(Balboa)	1.6120	1	0.5674	0.8179
Papua New Guinea	(Kina)	2.3128	1.4347	0.8140	1.1735
Paraguay	(Guarani)	3536.73	2194.00	1244.82	1794.54
Peru	(New Sol)	4.2477	2.6350	1.4961	2.1552
Philippines	(Peso)	56.3395	34.9500	19.8303	28.5866
Pitcairn Is	(£ Sterling)	1	0.6203	0.3520	0.5074
	(NZ $)	2.5151	1.5602	0.8852	1.2761
Poland	(Zloty)	5.5151	3.4213	1.9412	2.7983
Portugal	(Escudo)	289.443	179.555	101.878	146.863
Puerto Rico	(US $)	1.6120	1	0.5674	0.8179
Qatar	(Riyal)	5.8682	3.6403	2.0654	2.9775
Reunion Is. de la	(F/Fr)	9.5476	5.9229	3.3606	4.8445
Romania	(Leu)	12408.4	7697.50	4367.50	6296.01
Russia	(Rouble)	9476.14m	5878.50	3335.41	4808.20
Rwanda	(Fr)	484.927	300.823	170.680	246.052
St Christopher	(E Carib $)	4.3524	2.7000	1.5319	2.2084
St Helena	(£)	1	0.6203	0.3520	0.5074
St Lucia	(E Carib $)	4.3524	2.7000	1.5319	2.2084
St Pierre & Miquelon	(F/Fr)	9.5476	5.9229	3.3606	4.8445
St Vincent	(E Carib $)	4.3524	2.7000	1.5319	2.2084
San Marino	(Italian Lira)	2783.04	1726.45	979.574	1412.11
Sao Tome	(Dobra)	3852.88	2390.00	1356.03	1954.85
Saudi Arabia	(Riyal)	6.0461	3.7507	2.1281	3.0678
Senegal	(CFA Fr)	954.760	592.290	336.058	484.447
Seychelles	(Rupee)	8.1406	5.0500	2.8653	4.1306
Sierra Leone	(Leone)	1257.36	780.000	442.553	637.985
Singapore	($)	2.4857	1.5420	0.8749	1.2612
Slovakia	(Koruna)	54.4010	33.7475	19.1481	27.6031
Slovenia	(Tolar)	268.618	166.637	94.5483	136.297
Solomon Is	($)	5.8833	3.6497	2.0707	2.9852
Somali Rep	(Shilling)	4223.44	2620.00	1486.52	2142.87
South Africa	(Rand)	7.5273	4.6695	2.6494	3.8193
Spain	(Peseta)	239.938	148.845	84.4535	121.745
Spanish Ports in N Africa	(Sp Peseta)	239.938	148.845	84.4535	121.745
Sri Lanka	(Rupee)	96.7200	60.0000	34.0436	49.0757
Sudan Rep	(Dinar)	241.800	150.000	85.1064	122.889
Surinam	(Guilder)	646.412	401.000	227.518	327.990
Swaziland	(Lilangeni)	7.5273	4.6695	2.6494	3.8193
Sweden	(Krona)	12.1359	7.5285	4.2718	6.1578
Switzerland	(Fr)	2.3395	1.4513	0.8235	1.1871
Syria	(£)	64.4801	40.0000	22.6950	32.7172
Taiwan	($)	46.1056	28.6015	16.2283	23.3940
Tanzania	(Shilling)	989.888	613.950	348.340	502.168
Thailand	(Baht)	58.6768	36.4000	20.6531	29.7726
Togo Rep	(CFA Fr)	954.760	592.290	336.058	484.447
Tonga Is	(Pa'anga)	2.2133	1.3730	0.7790	1.1230
Trinidad/Tobago	($)	9.9058	6.1450	3.4865	5.0262
Tunisia	(Dinar)	1.8107	1.1233	0.6373	0.9187
Turkey	(Lira)	283252.6	175715.0	99699.3	143722.4
Turks & Caicos	(US $)	1.6120	1	0.5674	0.8179
Tuvalu	(Australian $)	2.2133	1.3730	0.7790	1.1230
Uganda	(New Shilling)	1821.56	1130.00	641.135	924.260
Ukraine	(Hryvna)	3.0193	1.8730	1.0627	1.5320
UAE	(Dirham)	5.9206	3.6730	2.0840	3.0042
United Kingdom	(£)	1	0.6203	0.3520	0.5074
United States	(US $)	1.6120	1	0.5674	0.8179
Uruguay	(Peso Uruguayo)	15.7251	9.7550	5.5348	7.9789
Vanuatu	(Vatu)	189.007	117.250	66.5267	95.9022
Vatican	(Lira)	2783.04	1726.45	979.574	1412.11
Venezuela	(Bolivar)	801.729v	497.350	282.192	406.797
Vietnam	(Dong)	18899.9	11724.5	6652.20	9589.61
Virgin Is-British	(US $)	1.6120	1	0.5674	0.8179
Virgin Is-US	(US $)	1.6120	1	0.5674	0.8179
Western Samoa	(Tala)	4.2122	2.6130	1.4826	2.1373
Yemen (Rep of)	(Rial)	220.844r	137.000	77.7305	112.058
Yugoslavia	(New Dinar)	9.2020	5.7084	3.2388	4.6691
Zambia	(Kwacha)	2139.13	1327.00	752.929	1085.39
Zimbabwe	($)	19.8277	12.3000	6.9789	10.0605
ECU	(ECU)	1.4498	0.8994	0.5103	0.7358
SDR	(SDR)	1.18348	0.732358	0.414137	0.606258

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Market rate now shown for Cuba (2)Name changed from Zaire on May 19th 1997, currency scheduled to change to Congolese Franc (3) Guinea-Bissau adopted the CFA Franc to replace the Peso on 1/5/97; FT enquiries to Business Research Centre 0171 256 5130. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre, Enquiries: 0171 634 4365.

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EMERGING MARKETS By Aptalot Lev

Budapest set for growth

Until August 6, the Budapest stock exchange was not so much a bull as a rampant bison. It looked set to match its record of 1996, when it registered the fastest growth of any exchange in the world.

The first seven months saw a rise of 91 per cent, with the BUX index at the end of July standing at 7,880 compared with 4,134 at the start of the year and 1,529 at the start of 1996 (January 2 1991=1,000).

Then came a sharp correction, with the BUX dropping 15 per cent in the course of a few days. The fall reflected that of the market in the US, with the Dow Jones Industrial Average falling by 7.8 per cent in the same period. The Budapest exchange shadows both New York and the US dollar/D-mark exchange rate very closely.

The steepness of the Hungarian fall in August however also reflected a feeling that the previous rise had been excessively fast and was to some extent due not to Hungarian strengths but to the problems of the Czechs and Poles.

A high proportion of the foreign investment funds operating in Hungary are regional ones, which move their money between countries in the area. In the short term at least, bad news in Prague can mean good news in Budapest and Bucharest. Hungarian p/e ratios also look good by central European standards.

The Hungarian economy also has very real and evident fundamental strengths. The stabilisation and austerity programme of 1994–96 has paid off handsomely, with GDP growth for this year set for around 3.5 per cent, compared with earlier projections of two per cent.

There is some concern about a relaxation of the government's anti-inflation strategy in the run-up to the elections next May, and about a rise in real wages leading to a surge in imported consumer goods. On the whole, however, the evidence points to stable future growth, and the stock market is expected to grow with it, albeit probably not at the rate of the past 18 months.



In the past six weeks, the market rallied somewhat from its August fall, to close at 7,639 on October 2, but trading has been quiet compared with the previous period, and is expected to remain so this month.

The reason is a shortage of liquidity, due to investors holding on to their money ahead of some extremely important share offerings later in the year: in OTP Bank, the oil giant MOL, and above all the sale in November of a 25 per cent stake in Matav, the Hungarian telecoms giant, which is expected to raise in the region of $1.1bn. Matav will then be listed on the exchange.

Matav's listing is bound to have a dramatic effect on the Budapest exchange – a reminder that for all its success, it is still a relatively small one by world standards, with $8.58bn in equity value at the end of July. Matav will raise the market's total capitalisation by around 30 per cent, and will be bigger than the next two stocks, oil company Mol and pharmaceuticals giant Richter Gedeon, put together.

Peter Bozso, senior analyst with OTP Securities, thinks this could be bad news for other stocks: "Matav will draw international investor attention to Hungary, but it could also lead regional funds to sell some of their existing Hungarian shares to buy into the new offering. This will especially threaten companies whose price doesn't fully match their performance."

The growth in the market is therefore expected to lead to investors paying more attention to individual companies' fundamentals, rather than to the state of the market generally.

Of the 12 companies that account for over 90 per cent of the exchange's capitalisation, Attila Meresz of ABN Amro believes that eight are still overvalued, even after August's correction.

Mr Meresz says that "over the past two years in Hungary, you could put money into any of the main stocks and see it go up. In future, investors are going to have to think harder".

Hungarian officials hope shares in the new offers reserved for domestic investors will also increase significantly their role in the exchange, around 70 per cent of whose capital is currently owned by foreigners.

Erika Schalkhammer, head of the exchange's trading department, says that the new offerings should bring in up to 100,000 new Hungarian individual investors, "which will make the market safer, less volatile and less influenced by news from elsewhere".

This tendency will be increased by the growth of Hungary's investment and private pension funds, which now collect 25 per cent of obligatory pension savings.

Ms Schalkhammer also emphasises the technical progress of the exchange, especially in computerisation, dematerialisation and the forthcoming change to allow settlements to be drawn up in foreign currencies. In her words, "this will ensure that we can maintain the market even if it continues to grow dramatically – which is what we expect".

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms: Oct 2 1997	% Change over week	% Change on Dec '96
Latin America	(247)	787.30	+4.5	+46.3
Argentina	(30)	1,255.70	+2.4	+32.1
Brazil	(68)	609.82	+8.5	+53.9
Chile	(46)	773.38	0.0	+24.7
Colombia[1]	(14)	884.79	+1.8	+39.8
Mexico	(83)	830.62	+3.5	+56.8
Peru[2]	(17)	254.04	+6.3	+29.1
Venezuela[3]	(9)	1,131.52	–0.7	+55.4
Asia	(708)	166.07	–5.2	–24.3
China[4]	(27)	87.02	–4.7	+18.0
South Korea[5]	(158)	68.35	+0.1	–11.5
Philippines	(42)	144.17	–3.9	–30.9
Taiwan, China[6]	(90)	167.50	–3.5	+9.3
India[7]	(77)	96.46	+0.6	+22.4
Indonesia[8]	(49)	75.29	–14.4	–41.0
Malaysia	(147)	159.87	–6.8	–52.5
Pakistan[9]	(28)	279.14	–1.1	+42.6
Sri Lanka[10]	(5)	133.11	–0.5	+46.0
Thailand	(87)	104.34	–4.7	–52.9
Euro/Mid East	(259)	167.70	+2.6	+24.9
Czech Rep	(5)	64.91	+4.2	–7.5
Egypt	(16)	105.12	+0.8	–
Greece	(54)	388.84	0.0	+60.4
Hungary[11]	(12)	295.56	+0.5	+50.2
Israel	(40)	128.37	+3.4	+28.4
Jordan	(7)	224.09	+0.2	+20.0
Morocco	(5)	129.92	0.0	–
Poland[12]	(29)	744.35	–1.7	+1.6
Portugal	(29)	208.54	+5.0	+42.7
Russia	(15)	193.41	+5.5	–
Slovakia	(5)	99.62	+2.6	–
South Africa[13]	(61)	221.90	+2.1	–6.4
Turkey[14]	(57)	285.05	+5.1	+81.7
Zimbabwe[15]	(5)	529.11	+0.3	+11.8
Composite	(1,214)	307.40	+1.0	+4.2

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jun 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31, 1992; (13)Dec 31, 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

INTERNATIONAL BONDS By Samuel Sender

US dollar's dominance reinforced

The proportion of emerging market borrowers in the global bond markets has continued to grow this year, fuelled by the appetite of investors for higher returns.

These issuers accounted for 13 per cent of total bond issuance in the first nine months of 1997, more than doubling their 6 per cent market share from the same period in 1996.

For all of 1996 they accounted for 10 per cent of the market, according to Capital Data, the financial information provider.

Emerging market issues reinforced the dollar's dominance, with the US currency's share rising from about 40 per cent a year earlier to more than 50 per cent.

"Emerging market borrowers have a tendency to issue in dollars more than any other currency," said one trader. "They see it as their reserve currency."

The volumes were inflated by recent Brady bond exchanges from Argentina, Venezuela and Panama. Each country offered to retire several billion dollars worth of outstanding Brady bonds by issuing eurobonds or global bonds instead.

Demand for the new bonds exceeded all expectations. When Venezuela, for example, offered to swap $1bn of Bradys, it found investors willing to exchange more than four times that amount.

"European investors are becoming averse to market risk and more willing to take credit risk," said a syndicate official in London.

"They feel that convergence plays [between German bunds and bonds of countries expected to take part in European economic and monetary union] have run their course and that they should start expanding their horizons."

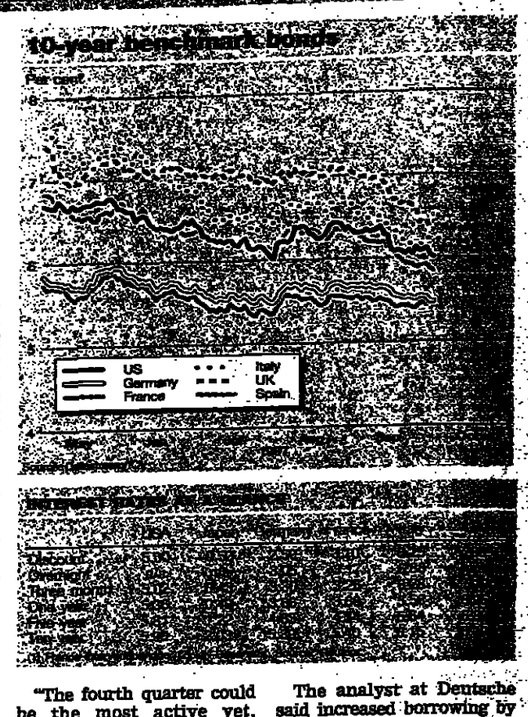
The search for higher yields has also led to a lengthening of the average maturity of new issues. Bonds with maturities of less than five years accounted for 45 per cent of new issues in the first nine months of the year, down from more than 50 per cent last year.

Sterling, the only European currency, apart from the Greek drachma, that has not seen a convergence rally, saw increasing demand as a result. It overtook the French franc and the yen to become the third most active currency, its market share rising from 7 per cent to 10 per cent of total issuance. In 1995, its share stood at just 5 per cent.

Analysts attributed sterling's popularity among investors to its being the "highest yielding market of the developed world".

At $558.3bn, global issuance in the first nine months of 1997 surpassed last year's record by 18 per cent.

"This year is set to become a new historic high in terms of issuance," said an analyst at Deutsche Morgan Grenfell. He also predicted that issuance could be up to 25 per cent higher than last year, which saw more than $600bn of supply.



"The fourth quarter could be the most active yet, because a lot of large benchmark transactions have been postponed this summer as market conditions were not ideal," he said.

Analysts pointed out that small issues targeting specific types of investors were more successful than large benchmark transactions, which often took more time to place with final buyers and then often underperformed in the secondary market.

Issuers from the private sector continued to gain market share to the detriment of public institutions. They accounted for 62 per cent of issuance, up from 60 per cent last year and 54 per cent in 1995, as governments, led by EU members, continued to adopt austerity measures in order to reduce their deficits to qualify for monetary union.

The analyst at Deutsche said increased borrowing by the private sector was symptomatic of "ongoing shallow economic growth", during which companies borrow to finance their expansion.

Merrill Lynch retained its lead among book-runners, arranging 7.5 per cent of total issuance in the first nine months.

J.P. Morgan, meanwhile, filled part of the gap by overtaking Goldman Sachs, SBC Warburg and Morgan Stanley to capture the second position, its market share rising from less than 5 per cent in the first nine months of 1996 to 6.95 per cent.

Deutsche Morgan Grenfell also rose in the rankings, from eighth to fifth, while Morgan Stanley fell from third to eighth.

Salomon Brothers re-entered the top 10, while UBS, ninth last year, dropped to 11th.

INTERNATIONAL BOND ISSUES BY CURRENCY

1997* Rank	Currency	Total raised ($bn)	No. of issues	1996* Rank	Total raised ($bn)	No. of issues
1	US$	290.69	1255	1	208.35	930
2	D-Mark	81.08	336	2	87.88	323
3	Sterling	55.80	223	5	33.50	158
4	FFr	38.20	119	3	45.22	88
5	Yen	31.31	534	4	41.86	841
6	Lire	26.59	147	8	14.36	79
7	SFr	16.33	179	6	22.74	267
8	Guilder	13.26	75	7	16.76	75
9	Ecu	9.10	35	13	3.62	25
10	Peseta	6.72	175	11	6.79	65

*First nine months. Source: Capital Data Bondware

TOP INTERNATIONAL BOND LEAD MANAGERS

Manager	First 9 months of 1997 $bn	Rank	%	Issues	First 9 months of 1996 $bn	Rank	%	Issues
Merrill Lynch	45.21	1	7.49	247	39.83	1	7.73	211
JP Morgan	41.92	2	6.95	160	25.59	5	4.96	130
Goldman Sachs	38.51	3	6.38	110	27.83	4	5.36	86
SBC Warburg DR	33.75	4	5.59	155	29.15	2	5.65	181
Deutsche MG	31.45	5	5.21	231	21.41	8	4.15	115
Lehman Brothers	27.15	6	4.50	111	21.59	7	4.19	107
CSFB	26.77	7	4.44	146	23.01	6	4.46	128
Morgan Stanley	26.19	8	4.34	230	28.60	3	5.55	176
ABN Amro HG	21.43	9	3.55	136	17.52	10	3.40	97
Salomon Brothers	21.08	10	3.49	96	16.12	12	3.13	76
Industry totals	558.31		100.0	3587	473.2		100.0	3291

Full credit to book runner. Source: Capital Data Bondware

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
PNC Bank National Assoc‡	500	Oct 2002	(s)	99.752R	-	-	Goldman Sachs Intl
Prov of British Columbia‡*	200	Oct 2000	5.50§	98.97	5.680	-	Yamaichi Int(Europe)
Unibanco	100	Aug 1998	7.75	100.00R	7.750	+75(Libor)	Société Générale
Beneficial Bank‡	75	Oct 2001	(s)	100.15	-	-	Merrill Lynch Intl
First Security Bank‡(d)	300	Oct 2002	(f1)	99.825R	-	-	Deutsche Morgan G'tell
Abbey Natl Treasury Services	300	Oct 2000	6.00	99.48R	6.195	+25(6¾Aug00)	SBCWDR
Pycsa Panama(h)	131	Dec 2012	10.25§	100.00	10.3	+425(6¾-07)	CSFB
World Bank(g)	50	Oct 2007	7.18	101.675	-	-	BZW
TaiboR Finance Dublin	300	Oct 2002	9.00§	98.898R	9.028	+310(5¾-02)	Dresdner-KB
Mesenergo Finance	200	Oct 2002	8.375§	99.831R	8.417	+250(5¾-02)	Salomon Brothers Intl
BankWest‡‡	100	Oct 1998	(s)	100.10	-	-	Morgan Stanley DW
Ensersa(j)	250	Oct 2007	7.625§	99.832R	7.649	+165(6¾-07)	Lehman Brothers Intl
D-MARKS							
Westland/Utrecht Hypo	500	Oct 2007	5.75	99.70R	5.790	+25(6¾Jul07)	INGB/Merrill Lynch
WEZ Ireland‡	500	Oct 2000	(c)	100.065	-	-	Commerzbank
Earls Three Series 2‡	75	Jul 2007	(r1)	100.00R	-	-	Deutsche Morgan G'tell
Earls Three Series 3‡	122	Aug 2007	(r1)	100.00R	-	-	Deutsche Morgan G'tell
STERLING							
3i Group(k)	200	Dec 2007	6.875	99.189R	6.993	+55(7¼Dec07)	HSBC Markets/SBCWDR
FRENCH FRANCS							
Asset-Backed Capital	1.5bn	Oct 2003	5.00	99.553R	5.088	+136¾Oct03)	Bear Stearns Finance
BSN International Finance(l)	1.5bn	Dec 2009	6.00	99.996R	5.998	+43(l)	Morgan Stanley
SWISS FRANCS							
Abbey Natl Treasury Services(k)	100	Aug 2001	2.00	99.10	2.252	-	Deutsche Morgan G'tell
GUILDERS							
SNS Bank	500	Oct 2007	5.875	99.95R	5.882	+34(6¼Sep07)	ABN Amro Hoare Govett
Lease Assets Backed Secs(b)	400	Jan 2002	5.00	99.92R	5.027	+25(j)	Bank Labouchere
LUXEMBOURG FRANCS							
Cerabank Luxembourg	2bn	Oct 2004	(u,s)	102.10	5.00	-	BCEE/Cerabank Lux
PESETAS							
LW Rentenbank(g)	10bn	Oct 2007	(g1,l)	101.00	-	-	Caja de Madrid

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
ITALIAN LIRE							
European Investment Bank(e)	500bn	Oct 2002	(e)	100.00	-	-	Banca di Roma
Eni Finance‡	250bn	Nov 2000	(i)	100.00R	-	-	JP Morgan Securities
World Bank‡	150bn	Oct 2007	(ag)	98.375R	-	-	BCI
Bayerische Vereinsbank‡‡	200bn	Nov 2007	(p1)	99.95R	-	-	Credito Italiano
World Bank‡‡	100bn	Oct 2007	(r1)	100.465	-	-	BCI
Republic of Argentina(i)	375bn	Mar 2004	(f,s)	99.75R	7.57	-	Paribas
DANISH KRONER							
Becob Overseas	500	Nov 2004	6.00	101.98	5.884	-	Bank Brussels Lambert
BK(i)	400	Dec 2003	5.625	102.25	5.18	-	Generale Bank
Centrosolo(g)	500	Dec 2002	5.50	101.535	5.124	-	Creditanstalt/Kredietbank
ESCUDOS							
J Sainsbury‡	10bn	Nov 2005	(s)	100.00	-	-	Deutsche Morgan G'tell
NEW ZEALAND DOLLARS							
World Bank	100	Oct 1999	6.75	100.365	-6.549	-	TD Securities
RAND							
Earls Three Series 3‡	300	Sep 1998	(r2)	100.00R	-	-	Deutsche Morgan G'tell
World Bank	250	Oct 1998	14.00	100.90	12.86	-	Hambros Bank
CZECH KORUNA							
World Bank	2bn	Oct 1998	13.25	100.77	12.38	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible, ‡Floating-rate note, ‡‡With equity warrants. *Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) 3-mth Libor +6¼bp. b) 3-mth Libor +7½bp. c) 3-mth Libor +3bp. d) Plus 2 days accrued. d1) 3-mth Libor +10bp. e) Domestic issue. e1) Pays one coupon at maturity linked to performance of international equity basket, minimum 18%. f) 3-mth Libor flat. g) Callable on 29/10/98 at par. g1) 5.65% to 29/10/98, then 6.25%. h) Amortises from 15/6/99: 10.62 yr average. i) Over interpolated yield. j) $100m launched on 29/9/97 was increased to $150m. Callable annually from 15/10/98 at par. k) Fungible with DF-300m. Plus 60 days accrued. l) Long 1st coupon. m) 10¼% to 31/10/99, then 10¼% - 2 x 12-mth Libor. n) 4½% to 15/10/03, then 5¼%, to 15/10/02, then 6¼%. o) 3-mth Libor -25p. p) Callable on 6/11/00 at par. p1) 6-mth Libor +40bp to Nov 00, then 6¼%pa fixed, includes 1.50bn increase at 101.85%. q) 1.150bn launched on Wednesday was increased to 1.250bn. q1) 10¼% to 31/10/99, then 10% -2 x 12-mth Libor. r1) 1-mth Libor +8bp. r2) Floating index, paid fortnightly. s) Short 1st coupon. t) Fungible with 1.750bn, Sch11bn and DM1.5bn upon Exch. t1) 9% to 15/3/98, then 7%. u) 6-mth Libor +80bp to Nov 98, then either 6¾pa fixed or 6-mth Libor +20bp at issuers option. Note: Yields are calculated on ISMA basis.

£25,000,000
C&G Cheltenham & Gloucester
Cheltenham & Gloucester plc
Floating Rate Subordinated Notes due 2004
Notice is hereby given that for the six months Interest Period from October 2, 1997 to April 2, 1998 (182 days) the Notes will carry an interest rate of 7.6375%. The interest payable on the relevant interest payment date April 2, 1998 will be £3,908.01 per £100,000 denomination.
By: The Chase Manhattan Bank London, Principal Paying Agent
October 6, 1997
CHASE

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PUBLIC NOTICES

Unilever

IMPORTANT NOTICE TO THE SHAREHOLDERS OF UNILEVER N.V.

NOTICE IS HEREBY GIVEN that at an Extraordinary General Meeting of the Shareholders of Unilever N.V. held on 22 September 1997 it was resolved to alter the Company's Articles of Association to the effect that each of the ordinary shares of Fl. 4, nominal value, is to be sub-divided into four ordinary shares of Fl. 1 each nominal value, and that the K-certificates in respect of those shares are to be abolished. This amendment to the Articles of Association will take effect from 13 October 1997.

As a result of the split, the trust certificates (depositary receipts) issued for ordinary shares by N.V. Nederlandsch Administratie- en Trustkantoor will be sub-divided accordingly.

The AEX-Effectenbeurs nv (the Amsterdam Stock Exchange) and the London Stock Exchange have been requested to allow that with effect from 13 October 1997 listing will be made for each (certificate for) ordinary share of Fl. 1 nominal.

Holders of ordinary registered shares

need take no action in connection with the sub-division which will be effected in the share register.

Holders of (certificates for) ordinary bearer shares

are requested to surrender their (certificates for) shares for conversion to:

Midland Securities Services
Client Delivery, Midland Bank plc
Mariner House, Pepys Street, London EC3N 4DA

or any of its branches.

K-certificates to be surrendered should be accompanied by dividend coupon No. 21 et seq. In exchange for these (certificates for) ordinary shares only CF-certificates will be issued. If so desired, holders of (certificates for) ordinary bearer shares may surrender their securities for registered shares of the company. The conversion, or registration, will be effected without cost for the holders of (certificates for) ordinary shares until 1 March 1998. Those persons who surrender their securities for conversion, to bank branches other than those mentioned above, in the UK, Channel Islands and Isle of Man may be charged commission fees.

Shareholders and holders of certificates who have deposited their securities by means of a stock account with a bank or a stockbroker need take no action; the depositary will handle the exchange of certificates.

After 1 March 1998, any remaining holders of K-certificates in respect of (certificates for) ordinary shares of Fl. 4 will be able to exercise their rights (including their rights to dividends) only after having exchanged their K-certificates for the new Fl. 1 CF-certificates. Where K-certificates are surrendered to Midland Securities Services the holder is required, except where registered shares are requested, to stipulate the name of the bank or stockbroker with which the CF-certificates will be deposited.

Where the (certificates for) ordinary shares are submitted for conversion by a bank or stockbroker, they should carry on the face of the mantle a stamp showing the name of such bank or stockbroker and should be accompanied by sequentially numbered lists for each denomination.

The prescribed commission fee for the conversion, charged by members of the AEX-Effectenbeurs nv, will be borne by Unilever N.V. from 13 October 1997 until 1 March 1998.

Rotterdam/Amsterdam, 6 October 1997
Unilever N.V. — N.V. Nederlandsch Administratie- en Trustkantoor

LOTHBURY
Lothbury Funding No.1 PLC
£144,000,000
Class A1 Notes
Mortgage Backed Floating Rate Notes due 2031

Notice is hereby given that there will be a principal repayment of £5,080 per £100,000 Note pursuant to Clauses (5b) of the Notes on the interest payment date 10th October 1997. The principal amount outstanding on 11th October 1997 will therefore be £17,056 per Note.

NATWEST MARKETS

JAPAN AIRLINES COMPANY, LTD.
(Incorporated with limited liability in Japan)
¥10,000,000,000
Floating Rate Notes due April 1998
For the period
6th October 1997 to
6th January 1998

In accordance with the Terms and Conditions of the Notes, notice is hereby given that the rate of interest has been fixed at 0.78125 per cent. per annum and that the interest payable on the relative payment date being 5th January 1998 will be ¥197,483 per ¥100,000,000 Note.
The Industrial Bank of Japan, Limited (London Branch) as Agent Bank

NOTICE TO HOLDERS OF
Province of Mendoza
US$ 150,000,000
10% Collateralized Oil Royalty Notes Due 2002
(The "Notes")

NOTICE IS HEREBY GIVEN that, in accordance with Section 5.07(a) of the Trust Agreement ("Contrato de Cesión, Fiduciaria) dated as of August 2, 1996 (the "Agreement"), The Bank of New York S.A. ("BONYSA") hereby resigns as Argentine Trustee for the Notes effective upon the acceptance of the appointment by a successor Argentine Trustee and the transfer of certain rights (royalties) to such Trustee.

PLEASE TAKE FURTHER NOTICE that, pursuant to Section 5.07(c) of the Agreement, the Province of Mendoza, with the approval of Noteholders representing at least 50% of the aggregate amount of Notes outstanding, is to select the successor Argentine Trustee. In the event a successor Argentine Trustee is not appointed within sixty (60) calendar days of the date of publication of this Notice, BONYSA is authorized, pursuant to Section 5.07(c) of the Agreement, to petition a court of competent jurisdiction to appoint a successor Argentine Trustee.

The Bank of New York S.A.
Buenos Aires, Argentina
October 6, 1997

هكذا من الأصل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Oct 3		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.9941	-0.1039	936 - 045	20.1835	19.9634	19.9307	3.5	19.827	3.3	19.3215	3.4	102.6
Belgium	(BFr)	58.6438	-0.277	941 - 934	59.1820	58.5620	58.4638	3.7	58.0938	3.8	58.3438	3.9	102.3
Denmark	(DKr)	10.8153	-0.0548	099 - 207	10.9187	10.8008	10.7838	3.5	10.7199	3.5	10.4283	3.6	104.3
Finland	(FM)	8.5203	-0.0398	136 - 269	8.6070	8.5110	8.495	3.6	8.4425	3.7	8.2298	3.4	81.3
France	(FFr)	9.5476	-0.0471	436 - 516	9.6344	9.5351	9.5146	4.1	9.4576	3.8	9.1821	3.8	105.2
Germany	(DM)	2.8411	-0.0147	398 - 424	2.8688	2.8357	2.8317	3.9	2.8127	4.0	2.7256	4.1	103.4
Greece	(Dr)	448.660	-2.44	416 - 904	453.197	448.061	450.443	-4.8	453.067	-3.9	461.435	-2.8	65.3
Ireland	(I£)	1.1096	-0.0012	083 - 108	1.1167	1.1078	1.1091	0.5	1.1077	0.7	1.0968	1.1	96.6
Italy	(L)	2783.04	-17.67	097 - 511	2810.42	2778.24	2783.12	0.0	2783.09	0.0	2780.49	0.1	76.2
Luxembourg	(LFr)	58.6438	-0.277	941 - 934	59.1820	58.5620	58.4638	3.7	58.0938	3.8	58.3438	3.9	102.3
Netherlands	(Fl)	3.2001	-0.017	983 - 019	3.2307	3.1954	3.1899	3.8	3.189	3.9	3.073	4.0	101.7
Norway	(NKr)	11.3405	-0.1287	329 - 480	11.5124	11.3101	11.308	3.4	11.247	3.3	10.978	3.2	100.7
Portugal	(Es)	289.443	-1.561	264 - 621	292.178	289.043	289.287	0.6	288.757	0.9	284.669	1.6	92.2
Spain	(Pta)	239.939	-1.345	840 - 037	242.570	239.510	239.823	1.6	238.873	1.8	234.503	2.3	77.2
Sweden	(SKr)	12.1359	-0.0715	281 - 437	12.3243	12.1175	12.1084	2.7	12.0499	2.8	11.7934	2.8	87.6
Switzerland	(SFr)	2.3395	-0.0055	380 - 410	2.3543	2.3357	2.3286	5.6	2.306	5.7	2.2058	5.7	106.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	100.1
Ecu	-	1.4486	-0.0066	485 - 511	1.4620	1.4479	1.4465	2.7	1.4393	2.9	1.4058	3.1	-
SDR†	-	1.183492	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6110	-0.0059	105 - 115	1.6154	1.5992	-	-	-	-	-	-	-
Brazil	(R$)	1.7675	-0.0051	667 - 683	1.7712	1.7537	-	-	-	-	-	-	-
Canada	(C$)	2.2111	-0.012	100 - 122	2.2199	2.1971	2.2043	3.7	2.1906	3.7	2.1397	3.2	85.6
Mexico	(New Peso)	12.4979	-0.024	859 - 098	12.5163	12.4052	-	-	-	-	-	-	-
USA	($)	1.6120	-0.0042	115 - 125	1.6158	1.5995	1.6099	1.6	1.6058	1.5	1.5884	1.5	105.2
Pacific/Middle East/Africa													
Australia	(A$)	2.2133	-0.0044	118 - 147	2.2190	2.1977	2.2098	2.0	2.2012	2.2	2.1843	2.2	92.2
Hong Kong	(HK$)	12.4737	-0.0813	680 - 783	12.5023	12.3761	12.4727	0.1	12.4662	0.2	12.4112	0.5	-
India	(Rs)	58.3061	-0.1097	799 - 322	58.4110	57.9420	58.5013	-4.0	58.9019	-4.1	60.5816	-3.9	-
Israel	(Shk)	5.8444	-0.0131	372 - 515	5.8521	5.8350	-	-	-	-	-	-	-
Japan	(Y)	197.083	+1.521	958 - 209	197.250	195.330	196.083	6.2	194.038	6.2	185.053	6.1	125.5
Malaysia	(M$)	5.4204	+0.0483	146 - 261	5.4594	5.3674	5.4246	-0.9	5.4326	-0.9	5.4513	-0.6	-
New Zealand	(NZ$)	2.5151	+0.0038	133 - 168	2.5175	2.4965	2.5183	-1.5	2.5221	-1.1	2.5227	-0.3	108.3
Philippines	(Peso)	56.3395	+1.027	608 - 181	56.9422	55.9087	56.4983	-3.4	56.7488	-2.9	57.8058	-2.6	-
Saudi Arabia	(SR)	6.0461	-0.0155	441 - 480	6.0802	5.9992	6.0426	0.7	6.0342	0.8	5.9977	0.8	-
Singapore	(S$)	2.4857	+0.0105	833 - 881	2.4895	2.4656	2.4811	2.2	2.471	2.4	2.4228	2.5	-
South Africa	(R)	7.5273	-0.0064	225 - 320	7.5380	7.4781	7.588	-9.7	7.7069	-9.5	8.1429	-8.2	-
South Korea	(Won)	1473.37	-3.79	969 - 705	1478.61	1465.14	-	-	-	-	-	-	-
Taiwan	(T$)	46.1056	-0.1187	905 - 207	46.1908	45.8061	46.0891	0.4	46.0493	0.5	45.8516	0.6	-
Thailand	(Bt)	58.6766	+0.0913	780 - 756	58.8110	57.1020	59.0134	-6.9	59.475	-5.4	60.5052	-3.1	-

† Rates for Oct 2. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 3		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	12.4033	-0.0324	006 - 059	12.5180	12.3970	12.3793	2.3	12.3303	2.4	12.1063	2.4	102.2
Belgium	(BFr)	36.3795	-0.078	600 - 990	36.7100	36.3540	36.3045	2.5	36.153	2.5	35.4595	2.5	102.2
Denmark	(DKr)	6.7093	-0.0166	080 - 105	6.7723	6.7067	6.6976	2.1	6.6733	2.1	6.5669	2.1	103.5
Finland	(FM)	5.2855	-0.011	830 - 880	5.3404	5.2824	5.274	2.6	5.2504	2.7	5.1565	2.4	80.9
France	(FFr)	5.9229	-0.0139	222 - 236	5.9772	5.9214	5.9114	2.3	5.8876	2.4	5.7787	2.4	104.7
Germany	(DM)	1.7625	-0.0046	622 - 627	1.7788	1.7615	1.7587	2.6	1.7509	2.6	1.7159	2.6	102.8
Greece	(Dr)	278.325	-0.795	260 - 390	282.210	278.250	279.62	-5.6	281.675	-4.8	288.825	-3.8	64.9
Ireland	(I£)	1.4528	-0.0021	517 - 540	1.4550	1.4392	1.4522	0.6	1.4512	0.5	1.4516	0.1	-
Italy	(L)	1726.45	-6.5	570 - 720	1743.40	1725.08	1728.22	-1.2	1731.23	-1.1	1734.65	-0.5	75.7
Luxembourg	(LFr)	36.3795	-0.078	600 - 990	36.7100	36.3540	36.3045	2.5	36.153	2.5	35.4595	2.5	102.2
Netherlands	(Fl)	1.9852	-0.0054	847 - 857	2.0037	1.9844	1.9809	2.6	1.9725	2.6	1.9347	2.5	101.4
Norway	(NKr)	7.0350	-0.0616	325 - 375	7.1395	7.0310	7.0206	2.5	6.9921	2.4	6.8804	2.2	99.4
Portugal	(Es)	179.555	-0.505	500 - 610	181.200	179.470	179.519	0.2	179.465	0.2	178.295	0.7	92.5
Spain	(Pta)	148.845	-0.45	830 - 860	150.490	148.810	148.8	0.4	148.625	0.6	147.45	0.9	76.7
Sweden	(SKr)	7.5285	-0.0249	260 - 310	7.6419	7.5258	7.5184	1.4	7.5001	1.5	7.4261	1.4	86.6
Switzerland	(SFr)	1.4513	+0.0003	508 - 518	1.4620	1.4504	1.446	4.4	1.4353	4.4	1.3898	4.2	106.4
UK	(£)	1.6120	-0.0042	115 - 125	1.6158	1.5995	1.6099	1.6	1.6058	1.5	1.5884	1.5	100.3
Ecu	-	1.1119	+0.0021	112 - 125	1.1130	1.1025	1.1134	-1.6	1.1166	-1.7	1.1321	-1.8	-
SDR†	-	0.73236	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9994	-0.0007	994 - 994	0.9994	0.9994	-	-	-	-	-	-	-
Brazil	(R$)	1.0965	-0.0003	963 - 966	1.0968	1.0962	-	-	-	-	-	-	-
Canada	(C$)	1.3717	-0.0039	714 - 719	1.3760	1.3693	1.3685	2.8	1.3628	2.6	1.3422	2.1	85.3
Mexico	(New Peso)	7.7530	+0.005	480 - 580	7.7590	7.7470	7.8615	-16.8	8.0725	-16.5	8.983	-15.9	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	106.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3730	+0.0008	725 - 734	1.3740	1.3723	1.3724	0.5	1.3706	0.7	1.3622	0.8	93.7
Hong Kong	(HK$)	7.7380	+0.0005	375 - 385	7.7390	7.7363	7.7386	-0.1	7.7394	-0.1	7.7417	0.0	-
India	(Rs)	36.1700	+0.025	650 - 750	36.1780	36.1630	36.3075	-4.6	36.5925	-4.7	37.805	-4.5	-
Israel	(Shk)	3.5015	+0.0009	981 - 048	3.5078	3.4970	-	-	-	-	-	-	-
Japan	(Y)	122.260	+1.255	220 - 300	122.400	121.620	121.745	5.1	120.745	5.0	116.445	4.8	127.2
Malaysia	(M$)	3.3625	+0.0385	600 - 650	3.3825	3.3330	3.387	-1.6	3.376	-1.6	3.406	-1.3	-
New Zealand	(NZ$)	1.5602	+0.0063	596 - 608	1.5690	1.5576	1.561	-0.6	1.5634	-0.5	1.5735	-0.9	-
Philippines	(Peso)	34.9500	+0.725	500 - 500	35.6000	34.6000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	-	506 - 507	3.7509	3.7504	3.7514	-0.2	3.7524	-0.2	3.7571	-0.2	-
Singapore	(S$)	1.5420	+0.0105	410 - 430	1.5440	1.5318	1.5403	1.4	1.5365	1.4	1.517	1.6	-
South Africa	(R)	4.6695	+0.008	680 - 710	4.6800	4.6610	4.71	-10.4	4.7895	-10.3	5.092	-9.0	-
South Korea	(Won)	914.000	-	000 - 000	917.000	911.000	-	-	-	-	-	-	-
Taiwan	(T$)	28.6015	-	010 - 020	28.6030	28.6000	28.6125	-0.5	28.6215	-0.3	28.714	-0.4	-
Thailand	(Bt)	36.4000	+0.15	500 - 500	36.4600	35.8000	36.845	-14.7	37.55	-12.6	38.78	-6.5	-

† SDR rate per $ for Oct 2. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 2: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

October 3	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 5/8	3 21/32	3 23/32	3 25/32	3 15/16	6.00	2.50	-
week ago	3 17/32	3 19/32	3 11/16	3 25/32	3 7/8	6.00	2.50	-
France	3 3/8	3 1/2	3 5/8	3 23/32	3 29/32	3.10	-	4.75
week ago	3 1/4	3 1/4	3 11/32	3 1/2	3 25/32	3.10	-	4.75
Germany	3 1/16	3 3/16	3 13/32	3 1/2	3 27/32	4.50	2.50	3.00
week ago	3 1/32	3 3/16	3 5/16	3 15/32	3 23/32	4.50	2.50	3.00
Ireland	6 1/4	6 3/16	6 1/8	5 7/8	5 13/16	-	-	6.75
week ago	6 1/4	6 3/16	6 1/16	5 31/32	5 13/16	-	-	6.75
Italy	6 25/32	6 21/32	6 19/32	6 7/16	5 15/16	7.75	6.25	6.02
week ago	6 5/8	6 19/32	6 5/16	6 5/16	5 31/32	7.75	6.25	6.02
Netherlands	3 5/32	3 1/4	3 3/8	3 17/32	3 5/8	-	2.50	3.00
week ago	3 1/32	3 1/4	3 3/8	3 7/16	3 21/32	-	2.50	3.00
Switzerland	1 1/4	1 1/4	1 17/32	1 9/16	1 13/16	-	1.00	-
week ago	1 3/8	1 1/4	1 3/8	1 19/32	1 13/16	-	1.00	-
US	5 19/32	5 17/32	5 11/16	5 3/4	5 15/16	-	5.00	-
week ago	5 1/2	5 19/32	5 21/32	5 3/4	5 15/16	-	5.00	-
Japan	13/32	15/32	15/32	1/2	1/2	-	0.50	-
week ago	3/8	15/32	1/2	19/32	5/8	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 5/8	5 3/4	5 13/16	5 31/32	-	-	-
week ago	-	5 5/8	5 23/32	5 25/32	6	-	-	-
US Dollar CDs	-	5.44	5.49	5.54	5.67	-	-	-
week ago	-	5.44	5.48	5.57	5.72	-	-	-
ECU Linked Ds	-	4 5/32	4 3/16	4 11/32	4 7/16	-	-	-
week ago	-	4 3/16	4 1/4	4 5/16	4 7/16	-	-	-
SDR Linked Ds	-	3 9/16	3 21/32	3 3/4	3 7/8	-	-	-
week ago	-	3 9/16	3 21/32	3 3/4	3 7/8	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 3	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 1/2 - 3 3/8	3 11/16 - 3 9/16	3 5/8 - 3 9/16	3 3/4 - 3 5/8	3 27/32 - 3 23/32	3 31/32 - 3 7/8
Danish Krone	3 13/16 - 3 11/16	3 11/16 - 3 9/16	3 13/16 - 3 11/16	3 15/16 - 3 13/16	3 15/16 - 3 13/16	4 3/16 - 4 1/16
German Mark	3 1/8 - 3	3 1/8 - 3	3 1/4 - 3 1/8	3 13/32 - 3 9/32	3 9/16 - 3 7/16	3 27/32 - 3 23/32
Dutch Guilder	3 3/16 - 3 1/16	3 7/32 - 3 3/32	3 3/8 - 3 1/4	3 15/32 - 3 11/32	3 19/32 - 3 15/32	3 27/32 - 3 23/32
French Franc	3 1/4 - 3 1/8	3 5/16 - 3 3/16	3 3/8 - 3 1/4	3 15/32 - 3 11/32	3 1/2 - 3 13/32	3 13/16 - 3 11/16
Portuguese Esc.	5 13/16 - 5 5/8	5 15/16 - 5 3/4	5 13/16 - 5 11/16	5 3/4 - 5 5/8	5 - 4 31/32	4 29/32 - 4 7/8
Spanish Peseta	5 5/8 - 5 1/2	5 5/8 - 5 1/2	5 1/8 - 5 3/8	5 1/2 - 5 3/8	5 1/2 - 4 31/32	4 7/8 - 4 25/32
Sterling	7 3/16 - 7 1/16	7 3/16 - 7 1/16	7 3/8 - 7 1/4	7 11/32 - 7 7/32	7 19/32 - 7 15/32	7 25/32 - 7 21/32
Swiss Franc	1 1/2 - 1	1 3/8 - 1 1/4	1 3/8 - 1 1/4	1 19/32 - 1 15/32	1 11/16 - 1 9/16	1 15/16 - 1 13/16
Canadian Dollar	3 5/8 - 3 1/2	3 5/8 - 3 1/2	3 25/32 - 3 21/32	3 31/32 - 3 27/32	3 31/32 - 3 27/32	4 1/4 - 4 1/8
US Dollar	5 21/32 - 5 17/32	5 19/32 - 5 15/32	5 21/32 - 5 17/32	5 13/16 - 5 5/8	5 3/4 - 5 5/8	5 15/16 - 5 13/16
Italian Lira	7 13/16 - 6 13/16	6 13/16 - 6 21/32	6 13/16 - 6 5/8	6 23/32 - 6 5/8	6 5/8 - 6 1/2	5 25/32 - 5 21/32
Japanese Yen	17/32 - 13/32	1/2 - 13/32	17/32 - 13/32	1/2 - 13/32	5/8 - 15/32	3/4 - 5/8
Asian $Sing	1 1/4 - 1 1/8	2 13/16 - 2 11/16	3 1/2 - 3 3/8	3 13/16 - 3 11/16	3 15/16 - 3 13/16	4 1/8 - 4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.95	93.77	-0.39	93.91	93.73	48,913	317,128
Dec	94.21	94.23	+0.01	94.26	94.20	72,846	585,131
Mar	94.17	94.20	-	94.25	94.15	80,124	428,252

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.05	95.06	+0.03	95.09	95.05	507	5,297
Mar	95.05	95.08	+0.04	95.12	95.05	526	3,865

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 3		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.28	4.845	1.892	4746	5.457	19.34	493.6	409.1	20.69	3.989	1.705	3.771	2.749	336.1	2.472
Denmark	(DKr)	54.22	10	8.828	2.627	1.026	2573	2.959	10.49	267.6	221.8	11.22	2.163	0.925	2.044	1.490	182.2	1.340
France	(FFr)	61.42	11.33	10	2.976	1.162	2915	3.352	11.88	303.2	251.3	12.71	2.450	1.047	2.316	1.688	206.4	1.518
Germany	(DM)	20.64	3.807	3.361	1	0.391	979.5	1.126	3.991	101.9	84.45	4.271	0.823	0.352	0.778	0.567	69.37	0.510
Ireland	(I£)	52.86	9.748	8.605	2.561	1	2508	2.884	10.22	260.9	216.3	10.94	2.109	0.901	1.993	1.453	177.6	1.307
Italy	(L)	2.107	0.389	0.343	0.102	0.040	100	0.115	0.407	10.40	8.621	0.436	0.084	0.036	0.079	0.058	7.082	0.052
Netherlands	(Fl)	18.33	3.380	2.984	0.888	0.347	869.7	1	3.544	90.45	74.96	3.792	0.731	0.312	0.691	0.504	61.59	0.453
Norway	(NKr)	51.71	9.537	8.419	2.505	0.978	2454	2.822	10	255.2	211.6	10.70	2.063	0.882	1.950	1.421	173.8	1.278
Portugal	(Es)	20.26	3.737	3.299	0.982	0.383	961.5	1.106	3.918	100	82.90	4.193	0.808	0.346	0.764	0.557	68.09	0.501
Spain	(Pta)	24.44	4.508	3.979	1.184	0.462	1160	1.334	4.726	120.6	100	5.058	0.975	0.417	0.922	0.672	82.14	0.604
Sweden	(SKr)	48.32	8.912	7.867	2.341	0.914	2293	2.637	9.345	238.5	197.7	10	1.928	0.824	1.822	1.328	162.4	1.195
Switzerland	(SFr)	25.07	4.623	4.081	1.214	0.474	1190	1.368	4.847	123.7	102.6	5.187	1	0.427	0.945	0.689	84.24	0.620
UK	(£)	58.64	10.82	9.548	2.841	1.110	2783	3.200	11.34	289.4	239.9	12.14	2.340	1	2.211	1.612	197.1	1.450
Canada	(C$)	26.52	4.891	4.318	1.285	0.502	1259	1.447	5.129	130.9	108.5	5.488	1.058	0.452	1	0.729	89.13	0.656
USA	($)	36.38	6.709	5.923	1.763	0.688	1726	1.985	7.035	179.6	148.8	7.529	1.451	0.620	1.372	1	122.3	0.899
Japan	(Y)	29.76	5.488	4.845	1.442	0.563	1412	1.624	5.754	146.9	121.7	6.158	1.187	0.507	1.122	0.818	100	0.736
Ecu	-	40.45	7.460	6.586	1.960	0.765	1920	2.207	7.822	199.6	165.5	8.371	1.614	0.690	1.525	1.112	135.9	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.5687	0.5712	+0.0046	0.5724	0.5647	15,009	56,542
Mar	0.5741	0.5743	+0.0046	0.5750	0.5685	5	2,352
Jun	-	0.5772	+0.0046	0.5770	-	105	2,616

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.6905	0.6958	+0.0035	0.6973	0.6897	7,109	35,078
Mar	0.6975	0.7027	+0.0035	0.7037	0.6975	41	1,606
Jun	-	0.7094	+0.0035	-	-	4	263

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.8304	0.8273	-0.0027	0.8312	0.8245	25,173	79,108
Mar	0.8372	0.8383	-0.0027	0.8400	0.8360	21	817
Jun	-	0.8495	-0.0027	-	-	10	162

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.6112	1.6114	+0.0006	1.6130	1.5940	2,887	27,634
Mar	1.5870	1.6046	+0.0002	1.6070	1.5870	5	238
Jun	-	1.5966	+0.0004	1.6000	1.5830	52	27

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Oct	Nov	Dec	PUTS Oct	Nov	Dec
1.600	1.82	2.69	3.11	0.24	1.37	1.97
1.610	1.11	2.16	2.57	0.53	1.80	2.42
1.620	0.59	1.66	2.15	1.02	2.33	2.92

Previous day's vol., Calls 1,693 Puts 205. Prev. day's open int., Calls 26,371 Puts 23,221

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

Strike Price	CALLS Oct	Nov	Dec	PUTS Oct	Nov	Dec
0.560	1.00	1.41	1.68	0.10	0.41	0.56
0.565	0.62	1.09	1.38	0.21	0.57	0.75
0.570	0.34	0.81	1.10	0.41	0.79	0.97

Previous day's vol., Calls 751 Puts 3,056. Prev. day's open int., Calls 11,286 Puts 35,155

UK INTEREST RATES

LONDON MONEY RATES

Oct 3	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 3/8 - 7	7 5/16 - 7 3/16	7 3/8 - 7 1/4	7 3/8 - 7 1/4	7 1/2 - 7 3/8	7 5/8 - 7 1/2
Sterling CDs	-	-	7 1/16 - 7	7 1/4 - 7 1/8	7 3/8 - 7 1/4	7 17/32 - 7 13/32
Treasury Bills	-	-	6 31/32 - 6 27/32	7 - 6 15/16	-	-
Bank Bills	-	-	7 - 6 7/8	7 1/16 - 6 31/32	7 3/8 - 7 1/2	-
Local authority deps.	6 7/8 - 6 3/4	7 - 6 7/8	7 1/8 - 7	7 3/8 - 7 1/2	7 5/8 - 7 3/8	7 17/32 - 7 3/8
Discount Market deps	8 15/16 - 6 13/16	7 - 6 7/8	-	-	-	-

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2 1/2	5 1/2	5	5	4 3/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc.
Ave. tender rate of discount on Oct 3 6.8969pc. ECGD fixed rate Stlg. Export Finance. Make up day Sep 30, 1997. Agreed rate for period Oct 26, 1997 to Nov 25, 1997, Scheme III 8.54pc. Reference rate for period Aug 30, 1997 to Sep 30, 1997, Schemes IV & V 7.294pc. Finance House Base Rate 7 1/2pc from Oct 1, 1997

BANK OF ENGLAND TREASURY BILL TENDER

	Oct 3	Sep 26		Oct 3	Sep 26
Bills on offer	£200m	£200m	Top accepted rate	6.9591%	6.8989%
Total of applications	£595m	£935m	Ave. rate of discount	6.9450%	6.8969%
Total allocated	£200m	£200m	Average yield	7.0673%	7.0176%
Min. accepted bid	£98.265	£98.280	Offer at next tender	£100m	£100m
Allotment at min. level	25%	25%	Min. accept. bid 28 days	-	-

■ **Pound in New York**

Oct 3	—Close—	— Prev. close —
£ spot	1.6160	1.6165
1 mth	1.6139	1.6144
3 mth	1.6098	1.6104
1 yr	1.5923	1.5928

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BASE LENDING RATES

	%		%		%
Adam & Company	7.00	Exeter Trust Limited	8.00	●Singer & Friedlander	7.00
Allied Irish Bank (GB)	7.00	Financial & Gen Bank	8.00	●Smith & Williamson Secs	7.00
●Henry Ansbacher	7.00	●Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
Banco Bilbao Vizcaya	7.00	●Guinness Mahon	7.00	TSB	7.00
Bank of Cyprus	7.00	Habib Bank AG Zurich	7.00	United Bank of Kuwait	7.00
Bank of Ireland	7.00	●Hambros Bank	67.00	Unity Trust Bank Plc	7.00
Bank of India	6.75	Heritable & Gen Inv Bk.	7.00	Whiteaway Laidlaw	7.00
Bank of Scotland	7.00	C. Hoare & Co	7.00	Yorkshire Bank	7.00
Barclays Bank	7.00	Hongkong & Shanghai	7.00		
Brit Bk of Mid East	7.00	Investec Bank (UK) Ltd	7.00	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	7.00	Julian Hodge Bank	7.00		
Citibank NA	7.00	●Leopold Joseph & Sons	7.00	* In administration	
Clydesdale Bank	7.00	Lloyds Bank	7.00		
The Co-operative Bank	7.00	Midland Bank	7.00		
Coutts & Co	7.00	NatWestminster	7.00		
Cyprus Popular Bank	7.00	●Rea Brothers	7.00		
Duncan Lawrie	7.00	Royal Bk of Scotland	7.00		
		Scottish Widows Bank	7.00		

OTHER STATISTICS

STOCK INDICES

	Oct 3	Oct 2	Oct 1	Sep 26	Sep 25	1997 High	1997 Low	Since comp. High	Since comp. Low
FTSE 100	5330.8	5295.1	5317.1	5244.2	5220.3	5330.8	4056.6	5330.8	986.9
FTSE 250	4883.9	4861.3	4839.4	4829.9	4816.1	4881.3	4388.2	4881.3	1379.4
FTSE 250 ex IT	4895.6	4873.9	4849.5	4844.0	4830.5	4873.9	4380.7	4873.9	1378.3
FTSE 350	2555.3	2539.6	2545.6	2516.3	2505.6	2545.6	2017.9	2545.6	664.5
FTSE SmallCap	2360.76	2349.74	2343.51	2334.98	2324.65	2374.29	2178.29	2374.29	1363.79
FTSE SmallCap ex IT	2336.05	2325.49	2318.75	2312.02	2301.67	2382.36	2139.02	2382.36	1363.79
FTSE All-Share	2492.41	2477.29	2482.39	2455.02	2444.60	2492.39	1989.78	2492.39	61.92
FTSE Fledgling	1301.93	1297.07	1293.42	1287.44	1282.92	1346.92	1223.48	1346.92	31.14
FTSE Eurotrack 100	2761.98	2761.92	2718.16	2708.95	2686.87	2794.80	1883.80	2794.80	900.45
FTSE Eurotrack 200	2775.04	2773.46	2747.93	2728.06	2710.47	2785.37	1947.11	2785.37	938.62
FT 30	3407.3	3379.6	3395.1	3370.5	3363.5	3395.1	2762.5	3395.1	49.4
FT Govt Securities	101.83	101.00	100.67	100.06	99.95	101.90	93.31	127.48	49.18
FT Fixed Interest	132.80	131.58	131.03	130.45	130.38	131.58	113.85	133.87	50.53
FTSE Gold Mines	1530.35	1524.20	1535.45	1525.06	1458.88	2074.61	1270.14	2074.61	922.16

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997 High	1997 Low	Stock	Closing price p	+or-
250	Nil	10/10	121 1/2pm	88 1/2pm	Gearhouse	121 1/2pm	
8	Nil	6/10	2pm	3/4pm	John Lusty	3/4pm	

pm premium.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	467.7	180 1/2	152 1/2	Aggreko	179	+1/2	W3.5	2.0	2.4	25.1
100	F.P.	8.76	155	109 1/2	†Computerland UK	146		M1.45	4.6	1.2	21.8
§134	F.P.	6.84	142 1/2	134 1/2	†I S Solutions	142 1/2	+8	-	-	-	48.2
155	F.P.	17.5	176 1/2	162 1/2	Latchways	174 1/2		-	-	-	-
*	F.P.	2,102	478 1/2	450	Northern Rock	473 1/2	-2 1/2	L9.05	2.8	2.4	18.7

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Oct 3	% chg since 31/12/96	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	1530.35	-18.1	42.12	100.00	1.94	-	1985.11	1270.14
■ **Regional Indices**								
Africa (15)	1466.92	-31.0	8.88	21.09	5.30	25.14	2534.01	1224.90
Australasia (6)	1548.58	-30.2	4.09	9.72	2.60	18.16	2218.00	1336.10
North America (12)	1566.86	-7.2	29.14	69.19	0.86	58.18	1839.77	1244.23

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BANK RETURN

BANKING DEPARTMENT	Wednesday October 1, 1997 £	Increase or decrease for week £
Liabilities		
Capital	14,553,000	
Public deposits	901,703,342	+101,541,095
Bankers deposits	2,537,079,943	-64,446,832
Reserve and other accounts	4,040,380,662	+429,655,838
	7,493,716,947	+466,750,101
Assets		
Government securities	1,363,907,825	-4,515,000
Advance and other accounts	5,388,864,577	+302,670,743
Premise, equipment and other secs	730,297,070	+162,306,640
Notes	10,631,273	+6,301,384
Coin	116,202	-13,666
	7,493,716,947	+466,750,101
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	22,119,468,727	+93,698,616
Notes in Banking Department	10,531,273	+6,301,384
	22,130,000,000	+100,000,000
Assets		
Other Government securities	16,157,539,829	-3,443,124,822
Other Securities	5,972,460,171	+3,543,124,822
	22,130,000,000	+100,000,000

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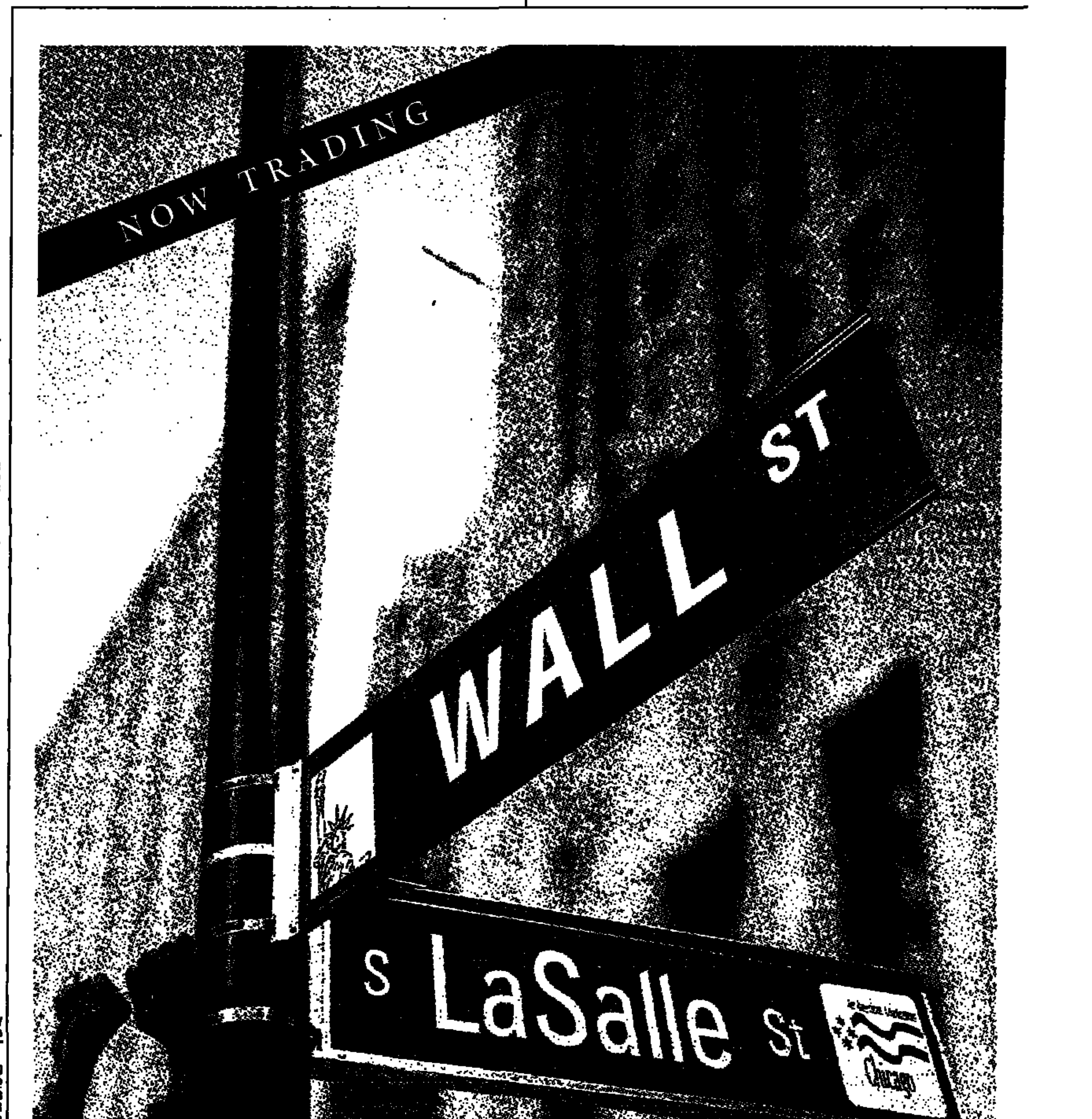
	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)							
Exch 15pc 1997		100 1/8	-.2	830	Ap27 Oc27	17.4	1269
Treas 4 3/4pc 1998‡‡		118 3/4	0.1	800	Ap27 Oc27	17.4	1753
Exch 9 3/4pc 1998		100 5/8	—	3,530	Jy19 Ja19	10.7	1273
Treas 7 1/4pc 1998‡‡		100 1/8	—	8,150	Se30 Mr30	22.8	1788
Treas 15 1/2pc '98‡‡		107 5/8	-.1	935	Mr30 Se30	22.9	1308
Exch 12pc 1998		105 1/8	-.1	3,909	My20 Nv20	8.5	1258
Treas 9 1/2pc 1999‡‡		102 1/2	-.1	1,900	Jy15 Ja15	4.7	1347
Treas Flg Rate 1999‡‡		100 1/8	—	5,700	9MrJeSeDe	2.9	4945
Exch 12 1/4pc 1999		107 1/4	-.1	3,050	Se26 Mr26	22.9	1264
Treas 10 1/2pc 1999		105 3/8	—	1,252	Nv19 My19	8.5	1286
Treas 6pc 1999 ‡‡		98 1/2	—	6,950	Fe10 Au10	31.7	3635
Conv 10 1/4pc 1999		106 1/2	—	1,798	My22 Nv22	13.6	1342
Treas 8 1/2pc 2000	⁂	103 1/2	—	109	Jy28 Ja28	17.7	-
Conv 9pc 2000‡‡		104 1/2	—	5,358	Se3 Mr3	22.8	1244
Treas 13pc 2000		115 1/2	—	3,171	Ja14 Jy14	3.7	1289
Treas 14pc 1998-1		104 1/8	-.1	970	Mr22 My22	13.5	1306
Treas 8pc 2000‡‡		103 1/2	0.1	9,800	Ja7 De7	29.5	4948
Treas Flg Rate 2001		100 1/8	—	3,000	6OcJaApJy	7.7	-
Treas 10pc 2001		110 1/4	—	4,406	Au26 Fe26	14.8	1280
Conv 9 1/2pc 2001‡‡	⁂	108 1/2	0.1	3	Ja12 Jy12	3.7	-
Conv 9 3/4pc 2001	⁂	110 1/2	0.2	35	Fe10 Au10	31.7	-
Treas 7pc 2001 ‡‡		101 1/2	0.1	12,750	My6 Nv6	24.4	3031
Exch 12pc 1999-2	⁂	105 1/2	-.1	105	Jy22 Ja22	11.7	-
Conv 10pc 2002	⁂	113 1/2	0.2	21	Oc11 Ap11	2.4	-
Treas 7pc 2002‡‡		102 1/2	0.3	9,000	De7 Je7	29.5	-
Five to Fifteen Years							
Conv 9 1/2pc 2002	⁂	112 1/8	0.2	2	De14 Je14	6.6	-
Treas 9 3/4pc 2002		113 1/2	0.3	6,527	Fe27 Au27	15.8	1349
Exch 9pc 2002	⁂	111 1/8	0.4	83	My19 Nv19	8.5	-
Conv 9 3/4pc 2003‡‡	⁂	115 1/4	0.6	11	Nv7 My7	25.4	-
Treas 8pc 2003‡‡		107 1/2	0.4	8,600	Ja10 De10	30.5	2010
Treas 13 3/4pc 2000-3	⁂	117 1/2	—	53	Ja25 Jy25	16.7	-
Treas 10pc 2003		117 1/4	0.4	2,503	Mr8 Se8	28.8	1261
Treas 11 1/2pc 2001-4		114 1/8	0.2	1,620	Se19 Mr19	10.9	1290
Treas 10pc 2004	⁂	119 1/4	0.7	23	Nv18 My18	8.5	-
Funding 3 1/2pc 1999-4		90 1/2	0.7	543	Ja14 Jy14	9.7	1274
Conv 9 1/2pc 2004		118 1/8	0.8	3,412	Ap25 Oc25	16.4	1246
Treas 6 3/4pc 2004‡‡		102 1/2	0.8	6,500	My26 Nv26	15.5	3541
Conv 9 1/2pc 2005		119	0.9	4,842	Oc18 Ap18	8.4	1247
Exch 10 1/2pc 2005	⁂	125 1/2	1.1	23	Mr20 Se20	11.9	-
Treas 12 1/2pc 2003-5		130 1/2	0.5	2,200	My21 Nv21	12.5	1295
Treas 8 1/2pc 2005‡‡		114 1/4	1.1	10,373	Ja7 De7	29.5	4946
Conv 9 3/4pc 2006	⁂	123 1/2	1.3	6	My15 Nv15	6.5	-
Treas 7 1/2pc 2006‡‡		108 1/2	1.4	11,700	Ja7 De7	29.5	1148
Treas 7 3/4pc 2006‡‡		110 1/2	1.3	4,000	Mr8 Se8	28.8	2309
Treas 8pc 2002-6‡‡		106 1/2xd	0.9	2,050	Ap5 Oc5	25.9	1334
Treas 11 3/4pc 2003-7		123 1/2	0.4	3,150	Jy22 Ja22	11.7	1293
Treas 8 1/2pc 2007 ‡‡		116 1/4	1.5	7,397	Ja16 Jy16	7.7	1336
Treas 7 1/4pc 2007‡‡		107 1/8	1.6	7,000	Ja7 De7	29.5	-
Treas 13 1/2pc 2004-8	⁂	136 1/2	0.9	95	Se26 Mr26	22.8	-
Treas 9pc 2008 ‡‡		121 1/4	1.7	5,621	Ap13 Oc13	3.4	1343
Treas 8pc 2009		114 5/8	1.9	3,450	Mr25 Se25	18.8	1338
Treas 6 1/4pc 2010‡‡		99 1/8	2.5	4,750	Mr25 Nv25	15.5	4832
Conv 9pc Ln 2011 ‡‡		124 1/8	2.3	5,273	Jy12 Ja12	3.7	1245
Treas 9pc 2012‡‡		125 1/2	2.5	5,360	Fe6 Au6	28.7	1701
Treas 5 1/2pc 2008-12‡‡		93 5/8	2.4	1,000	Mr10 Se10	1.9	1338
Treas 7 3/4pc 2012-15‡‡		112 1/2	2.5	800	Jy26 Ja26	17.7	1332
Over Fifteen Years							
Treas 8pc 2013‡‡		116 5/8	2.7	8,100	Mr27 Se27	22.9	2229
Treas 8pc 2015‡‡		118 1/2	2.8	13,787	Ja7 De7	29.5	4992
Treas 8 3/4pc 2017‡‡		128 1/2	2.8	7,550	Fe25 Au25	14.8	1982
Exch 12pc 2013-17	⁂	156 1/8	2.9	57	Ja12 De12	3.8	-
Treas 8pc 2021‡‡		121 1/8	3.3	16,500	Ja7 De7	29.5	-
Undated							
Consols 4pc		57 1/2	6.3	359	Au1 Fe1	23.7	1239
War Loan 3 1/2pc‡‡		54 7/8	3.9	1,909	Ja1 De1	16.5	1352
Conv 3 1/2pc '61 Aft.		70 1/2	1.9	115	Ap1 Oc1	22.9	1243
Treas 3pc '66 Aft.		43 1/2xd	1.7	56	Ap5 Oc5	29.9	7324
Consols 2 1/2pc		38 1/2xd	1.9	276	5JaApJyOc	29.9	1238
Treas. 2 1/2pc		37 1/4	2.2	475	Ap1 Oc1	22.9	1315
Index-Linked (b)							
2 1/2pc '99		187 1/8	0.1	2	My22 Nv22	13.5	-
2 1/2pc '01	(78.3)	193 1/8	0.8	2,150	Mr24 Se24	15.9	1316
2 1/2pc '03	(78.8)	190 1/8	1.0	2,400	My20 Nv20	9.5	1317
4 3/8pc '04‡‡	(135.6)	123 1/8	1.2	1,150	Ap21 Oc21	10.4	1255
2pc '06	(69.5)	203 1/4	1.4	2,350	Ja19 Jy19	10.7	1314
2 1/2pc '09	(78.8)	184 1/2	1.7	2,625	My20 Nv20	9.5	1318
2 1/2pc '11	(74.6)	192 1/8	1.8	3,100	Fe23 Au23	14.8	1319
2 1/2pc '13	(89.2)	158 1/2	2.0	3,750	Fe16 Au16	7.8	1320
2 1/2pc '16	(81.6)	171 1/8	2.3	3,825	Ja26 Jy26	17.7	1321
2 1/2pc '20	(83.0)	165 1/2	2.6	3,700	Ap16 Oc16	7.4	1322
2 1/2pc '24‡‡	(97.7)	138 1/2	2.9	3,850	Ja17 Jy17	8.7	1323
4 1/8pc '30‡‡	(135.1)	135 1/2	3.0	1,300	Ja16 Jy22	11.7	1134

(b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for January 1997: 154.4 and for August 1997: 158.5.

Other Fixed Interest

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Asian Dev 10 1/4pc 2009		129 5/8	3.3	100	Mr24 Se24	24.3	-
B'ham 11 1/2pc 2012		140 1/2	2.2	45	My15 Nv15	15.4	1837
Leeds 13 1/2pc 2006		143 1/2xd	2.1	40	Ap1 Oc1	10.9	3146
Liverpool 3 1/2pc Irred.		50xd	4.2	5	1ApJyOcJa	1.9	-
LCC 3pc '20 Aft.		43	4.9	26	1MrJeSeDe	1.8	-
Manchester 11 1/2pc 2007		131 1/2xd	1.5	6	Ap25 Oc25	29.9	3275
Met. Wtr. 3pc 'B'		85	1.2	25	Mr1 Se1	1.8	3361
N'wide Anglia 3 7/8pc 2021		152 1/2	0.5	60	Ja30 Jy30	16.8	3485
4 1/2pc II. 2024		147 1/4	0.5	50	Au23 Fe23	14.7	-

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis. ⁂ Indicative price.



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Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
◆ Figures or report awaited
♦ Rate 2.1p(e)/ Overseas incorporated companies listed on an approved exchange
♣ Final announ/interim report available, see details below.
†† Rate 4.2p(e) Irish incorporated non-listed companies.
Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
◆ Merger bid or reorganisation in progress
$ Forecast dividend; cover based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Annualised dividend.
b Figured based on prospectus or other official estimates.
c Cents.
d Assumed dividend.
e Assumed dividend after scrip issue.
f Assumed dividend after scrip issue. Dividend and yield exclude a special payment.
g Assumed dividend after rights issue.
h Dividend and yield include a special payment.
i Indicated dividend; cover relates to previous dividend.
j Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.
k Dividend and yield include a special payment; Cover 1997-98.
m Dividend is paid in whole or part as a distribution.
n Dividend and yield adjusted for currency conversion.
p Dividend and yield exclude a special payment and relate to a period other than a full year.
q Earnings based on preliminary figures.
r Dividend and yield include a special payment.
s Dividend and yield include a special payment; cover does not apply to special payment.
t Dividend based on prospectus or other official estimates for 1996-97.
u Assumed dividend after pending scrip and/or rights issue.
v Dividend based on prospectus or other official estimates for 1997.
w Dividend based on prospectus or other official estimates for 1998.
x Dividend paid in part or entirely out of capital.
y Dividend and yield include a special payment; cover refers to dividend after special payment.
z Dividend total to date.
A Dividend is paid in whole or part as a PID (Foreign Income Dividend).
B Gross.
C Forecast annualised dividend, cover based on latest annual earnings.
D Dividend based on prospectus or other official estimates.
E Estimated annualised dividend, cover based on latest annual earnings.
F Dividend based on prospectus or other official estimates for 1998.
G Forecast annualised dividend, cover based on prospectus or other official estimates.
H Pro forma figures.
Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions:** Hanson Wrts (BcMa), Indochina Goldfields (Extr), Aram Resources, Science Systems, Winchester Multimedia (AIM). **Deletions:** Goldsborough (Hlth), Heath (C.E.), Nelson Hurst (Ins), Australian Opportunities Wrts (InTr), Oceanica, Do 6pc Prf (Oil), Argent (Prop), Country Gardens 10pc Prf (AIM), Amdahl (Amer).

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
Prices for dealing October 3

Jupiter Asset Management (Bermuda) Ltd
PO Box HM1296, Hamilton, Bermuda 001 809 292 2760

Newport Investment Management
20 Reid St, PO Box HM 3388 Hamilton Bermuda

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda HM 11441 292 6370
Orion Sep 30 ..... $35.27 – 40408

BERMUDA (REGULATED)(**)

Aristocrat Capital Management Ltd
Aristocrat Endeavour Fd ..... $22.14 – 48834

Bermuda Intl Invest Mgmt Ltd

Bermuda Equity Funds Ltd

Bermuda Money Funds Ltd

Global Manager (s)

Butterfield Management Co Ltd

Integral Bond Arbitrage Fund Limited
Bond Arbitrage Fd Ltd ..... $110.93 – 47262

Integral Management International Ltd
US Meridian $101.02

McKinley Offshore Management Ltd

Orbis Investment Management Ltd
* Prices on Oct 2 Next Pricing Oct 9 Weekly Pricing

Philo Smith & Co

GUERNSEY (SIB RECOGNISED)

Guinness Flight Fd Mngrs (Guernsey) Ltd
PO Box 250, St Peter Port, Guernsey GY1 3QH, CI

Guinness Flight International Accum Fund (Daily)

Global Strategy Fund (Daily)

Kleinwort Benson Intl Fd Mngrs Ltd
PO Box 44, Guernsey, CI 01481 709893/709892

Lazard Fund Mngrs (Channel Islands) Ltd
Sarnia House, Le Truchot, St Peter Port 01481 724863

Lloyds Intl Money Market Fund Ltd
Sarnia Hse, Le Truchot, St Peter Port 01481 704900

M & G (Guernsey) Ltd
Westbourne, The Grange, St Peter Port 01481 722693

Prudential Fund Managers (Guernsey) Ltd
Po Box 61, St Peter Port Guernsey 01481 707000

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port, Guernsey 01481 719700

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 208, St Peter Port, Guernsey 01481 710851

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Barclays Global Investors Guernsey Ltd

CIBC Fund Managers (Guernsey) Ltd

Clariden Investment Mgt (Guernsey) Limited

Commercial Union Captives Inv Mngt

Concord Misr Investment (Guernsey) Ltd

Consolia (Channel Islands) Limited

Credit Suisse Asset Mngt (Guernsey) Ltd

Dustrust Management (Guernsey) Ltd

Ely Place Fund Managers (CI) Ltd

Equinox Finance Management (Guernsey) Ltd

FP Consult

Foord & Meintjes

GYS Investment Management Ltd

Global Portfolio Management (Guernsey) Ltd

Hauteville Fund Managers (Guernsey) Ltd

Havelet Throgmorton Mngmt Ltd

IPS (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Labrow Global Funds

Lloyds Bank Fund Managers (Guernsey) Ltd

Merrill Lynch Guernsey

NSM (Guernsey) Ltd

Nikko Capital Mngt (Europe) Ltd

Paragon Asset Management Ltd

Rothschild Asset Mngmt (CI) Ltd

Five Arrows International Equity Funds

Five Arrows International Portfolio Fund

Five Arrows International Managed Portfolio

Royal Bank of Canada Intl Money Market Fd

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Staines Fund Managers (Guernsey) Ltd

UBK Asset Management (Guernsey) Ltd

U.S. Advisors (Guernsey) Limited

UTI (Guernsey) Limited

Yamaichi Capital Mngt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

AIB Fund Management Ltd

BT Fund Managers (Ireland) Ltd (u)
80 Harcourt Street, Dublin 2 00 3531 7902400

Bank of Cyprus Group

Baring International Fund Managers (Ireland) Ltd

Christows Investments Plc

Coutts Fund Managers Limited

Daiwa Europe Fund Mgrs Ireland Ltd

Dresdner Kleinwort Benson Intl Mgt Services Ltd

Edinburgh Unit Trust Managers (Ireland) Ltd

Federated International Funds Plc (u)

The Fiduciary Trust Global Fund

GT Global

Global Asset Management

Guinness Flight Select Funds Plc

The Hatei Mutual Investment Company Plc

Hambros Fund Managers (Ireland) Ltd

Henderson Crosthwaite Investment Co

Lazard Investment Funds Ltd

Morgan Grenfell Investment Funds Ltd (u)
20 Finsbury Circus, London EC2M 1UT 0171 545 7474

Murray Johnstone (Dublin) Ltd

Nicholas-Applegate Capital Mngmt (HK) LLC

Odey Asset Management Ltd

Old Mutual International Fd Mngrs Ltd (z)

Prolific International Fund Plc

Scottish Value Management (Ireland) Ltd (u)

Singer & Friedlander Inv Funds Ltd (u)

Singer & Friedlander Inv Funds Ltd - Contd.

Swiss Life Investment Fund – Proteus (u)

Tilney (Ireland) Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

AIG Asset Management Ltd

AIM Capital Funds Plc (z)

AON International Funds Plc

Abbey National Dublin Investment Fund Plc

Amadeus Capital Vision Plc

Argonta European Hedge Fund plc

Asia Dynamic Growth Fund Plc

Asia Small Cos Growth Fund (u)

Asian Diversified Equity Fund Plc

Asian Emerging Markets Fund Plc

Asian Gateway Fund Plc

Asian Growth Fund Plc

Asset Korea Fund

Asset Universal Ltd

Atlantis Korean Smaller Companies Fund

BT&T Asset Management (Ireland) Ltd

BZW Secured Equity Fund II Plc

Bank of Ireland Unit Managers Ltd

Barclays Global Investors Ireland Ltd

Baring International Fd Mgrs (Ireland) Ltd

Baring Mutual (Ireland) Ltd

Berkshire KOTC Growth Fund Plc

Berkshire Korea Fund Plc

Blackstone Franks Managers Ireland Ltd

Bordier Invest (Ireland) Ltd

Buchanan Asset Management (Ireland) Ltd

Calpius Fund

Capital Vision Fund Plc

Chemical Ireland Fund Administrators Ltd

Citi Investment Fund (Ireland)

Citizens Investment Trust Mngt Company

CoreStates Fund Management (Ireland) Ltd

Daiwa Europe Fund Mgrs Ireland Ltd

Dragon Korea Fund Plc

Dresdner Kleinwort Benson Intl Mgt Services Ltd

Eagle Star European Life Assurance Co Ltd

Edgehill Select Group

Egerton Capital European Fund Plc

Emerging Market Growth Fund Plc

F.I.T. Investment Trust Ltd (z)

Formosa High Tech Fund

Framlington Investment Mngmt (Ireland) Ltd

Frank Russell Investments (Ireland) Ltd

Fresh Korea Fund

Fuji Investment Management Co (Europe) Ltd

GNI Fund Management (Ireland) Ltd

GT Global

Gartmore Korea Fund Plc

Global Euro-Asia Investment

Global Resources Stock Fund

Goldman Sachs

Gordon House Asset Management Ltd

HSBC UK Equity Plus Plc

HSBC UK Equity Plus II Plc

HSBC UK Equity Plus III Plc

HSBC UK Equity Plus IV Plc

HSBC UK Equity Plus V Plc

HSBC UK Equity Plus VI Plc

Hermes Ireland Ltd

Hanrel Korea Venture Fund

Hausmann International Fund Plc (z)

Investec Asset Management (Ireland) Ltd

INVESTORS Fund Services (Ireland) Ltd

Kim Europe Worldwide Fund

Kiwe Far East Fund Plc

Kiwe Korea Fund Plc

Korea Active

Korea Balanced Return Fund

Korea Bond Fund Plc

Korea CB Fund Plc

Korea Capital Growth Fund

Korea Open Fund

Korea Special Opportunities Fund Plc

Korea Sprint Fund Plc

Korea Strategic Growth Fund

Korea Sunrise Fund

Korean Emerging Growth Fund Plc

Korean Power Fund

Korean Preferred Share Fund

Lazard Investment Funds Ltd

Legal & General UK Extra Growth Plc

Legal & General UK Extra Growth II Plc

Legal & General UK Extra Growth III Plc

Lehman Bros./GLG Partners Asset Mgmt Ltd (u)

Loomis Sayles International Funds Plc

Lotus Fund Plc

Marathon Asset Management (Ireland) Ltd (u)

Marriot Slager Investment Funds Plc

Mediolanum International Funds Ltd

Morgan Grenfell Cash & Money Market Plc

Morgan Grenfell Fixed Income Funds Plc

Morgan Grenfell Prefunds Plc

New Silk Road Fund

The Northern Trust Global Cash Funds Plc

Omega Trust Umbrella Fund Plc

Orient Balanced Fund Plc

Pacific 21st Century Fund

Pacific Growth Fund Ltd

Paine Webber Offshore Funds Plc (u) (z)

Paribas Asset Management (Ireland) Ltd

Paribas Multi-Manager Global Fund Plc

Pioneer Management (Ireland) Ltd

Prudential Securities Futures Management Inc

RMB Global Fund

Rothschild Asset Management (Ireland) Ltd

J. Rothschild International Assurance plc

SEC Traded Endowment Fund Plc

SEI Global Master Fund – Institutional Class

SEI Global Master Fund – Investor Class

The Sagitta Fund Plc

Samsung Yamaichi Asia Growth Fund Plc

Saudi International Inv Co Plc

Scottish Amicable European/International

Scottish Mutual Intl Fund Managers Ltd

Sellers Investment Mngt (Ireland) Ltd

Singer & Friedlander Closed Funds Plc

Societe Generale Group

Trainer Wortham & Company Inc

Ulster Bank Investment Services

Valon Express Fund Plc

The Wanger Investment Company PLC

Yamaichi Samsung Dynamic Korea Fund

Yuki Korea Fund

Yuki Taiwan Fund

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F
43-51 Athol Street, Douglas, IOM 01624 661551
For conversion Prices of Shares Please 01624 662660

Ashburton Global Funds Ltd (1200)
Analyst Hse, 20-26 Peel Rd, Douglas IoM 01624 620087

Bank of Ireland Asset Mngmt (IOM) Ltd

CMI Fund Managers (IoM)

Irish Permanent Fund Managers (IoM) Ltd

Mercury Fund Managers IoM Ltd
12-13 Hill Street, Douglas IoM 01624 662255

Old Mutual Intl Fd Managers (Isle of Man) Ltd

Quilter Intl Mngt (IoM) Ltd

Sun Life Management (IoM) Ltd

Ulster Bank Global Funds Plc

ISLE OF MAN (REGULATED)(**)

BOE International Asset Management (IoM) Ltd

Bank of Ireland Asset Mngmt (IOM) Ltd

City Financial Admin (IoM) Ltd

For Irish Permanent Fd Managers see Isle of Man SIB

Neville James Fund Managers Limited

Old Mutual Intl Fd Managers (Isle of Man) Ltd

Quilter Intl Mngt (IoM) Ltd

SBR Fund Managers Ltd

Sytrata International Fund Management Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd
PO Box 468 St Helier Jersey 01534 883000

AIB Govett (Channel Islands) Limited (1000)F

Barclays International Funds
PO Box 152, St Helier, Jersey CI 01534 812700

Gartmore Fund Managers Intl Ltd (z)
PO Box 278, 45 La Motte St., Jersey 01534 886666

For John Govett (CI) Ltd see AIB Govett (CI) Ltd

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F
PO Box 63, Bond Street, St. Helier, Jersey 01534 604614

Lloyds Bank (CI) U/T Mgrs.
PO Box 195, St Helier, Jersey 01534 284242

Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey 01534 606000

Newton Fund Mgrs (CI) Ltd (1200)F
PO Box 189, St Helier, Jersey 01534 285707

Perpetual Fund Management (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd
PO Box 103, St Helier, Jersey 01534 606000

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

Royal Bank of Scotland International Ltd

Standard Bank Fund Mngmt (Jersey) Ltd

TSB Fund Managers (CI) Ltd
PO Box 538, St Helier, Jersey 01534 503002

JERSEY (REGULATED)(**)

ABSA Offshore Select Fund Limited

AIB Govett Management (Jersey) Limited

Bank of Scotland Fund Managers (Jersey) Ltd

Barclays Global Investors Jersey Ltd

Barclays Intl Funds

Cater Allen Investment Management (CI)

Cazenove International Asset Mngt Ltd (CIAM)

Citibank (CI) Ltd "Citifunds"

Citibank N.A.

Coutts (Jersey) Fund Managers Ltd

EBC Fund Managers (Jersey) Ltd

Fleming Group

Foreign & Colonial Mngt (Jersey) Ltd

Hambros Fund Managers (Jersey) Ltd

For John Govett Mgmt (Jsy) Ltd see AIB Govett Mgmt

INVESCO International Limited

Jupiter Asset Management (Jersey) Ltd

Lazard Fund Administration (CI) Ltd

Liberty International Asset Management

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

Lonworld Financial Services Limited

Mercury Asset Mngt Channel Islands Ltd.

Midland Bank Fund Managers (Jersey) Ltd

Minerals, Oils Res. Shrs. Fd. Inc.

Newton Fund Managers (CI) Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd

Perpetual Fund Management (Jersey) Ltd

Royal Bank of Scotland Fund Managers (CI) Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Standard Bank Fund Mngmt (Jersey) Ltd

TSB Fund Managers (CI) Ltd

WMB Asset Management (Jersey) Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)
4 Rue Jean Monnet, L-2180 Luxembourg

Aberdeen Fund Mngrs (Luxembourg) Ltd (u)

Aetria Master Fund (u) (z)

Prices quoted are "A" Shares

The Financial Times plans to publish a Survey on

France

on Monday, November 3

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American Phoenix Investment Portfolios (u)

BAII Asset Management Ltd

Bank Von Ernst & Cie AG

Banque Indosuez

Barclays Diversified Portfolio (u)

Barclays Inv Funds (Luxembourg)

CMI Asset Management (Luxembourg) SA

Chase Manhattan Vista Funds

Comgest SA

Commercial Union Luxembourg SA (u)

DB Investment Management SA

Danske Fund (u)

Den norske Bank

Dolphin Intl Investments (u) SICAV

Dresdnerbank Asset Mngmt SA (u)

E.T. Investment Management Ltd

Epicure Global SICAV (u)

Fidelity Funds (u)

Fleming Group (u)

Foreign & Colonial Emerging Markets Ltd (u)

Foreign & Colonial Portfolios Fd Sicav (u)

Frontrunner I (u)

GT Global

HSBC Investment Funds Luxembourg SA (u)

Henderson Management SA (u)

IKOS

INVESCO International Limited (u)

Jefferies

Jupiter Tyndall Global Fund

Kleinwort Benson Japanese Warrant Fund

Kleinwort Benson Select Fund (u)

Liberty Newport World Portfolio (u)

Lloyds Bank Luxembourg

Lombard Odier Invest (u)

Manulife Global Fund (u) (z)

Mercury Asset Management

Morgan Stanley Sicav

Morgan Stanley Sicav - Contd.

Nomura Global Fund (u)

PRICOA Worldwide Inv Portfolio Sicav (u)

Proton Asset Management S.A.

Rothschild Asset Management

S-E-Banken Luxembourg SA

Sarasin Investmentfonds SICAV (u)

Schroder International Selection Fd (u)

Scottish Equitable Intl Fund SICAV (u)

Sun Life Global Management Ltd (u)

Svenska Selection Fund SICAV

Templeton Global Strategy Funds (u)

Thornton Investment Management Ltd

Threadneedle-Threadneedle Global Assets (u)

Wikko Global Umbrella Fund

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

ACM Offshore Funds - Contd.

Aetna International Umbrella Fund (u)

Amas Bank (Switzerland) Ltd

The Archipelago Fund Sicaf

Asian Development Equity Fund

Atlantas Sicav

Atlantic International Fund

BNP

Banque Colbert S.A.

Banque Edmond Constant Ltd

Banque Ferrier Lullin (Lux) SA

Banque Indosuez Luxembourg

Barclays Liquidity Portfolio

BL- Keystone Asia Premier Fund

BL Taiwan Premier Fund

Blakeney Management Ltd

CB Fund International (u)

CSFB Umbrella

Capel-Cure Myers Intnl Fd Sicav (u)

Carlson Investment Management

Citicorp Investment Mgmt (Luxembourg) SA

Citiportfolio SA

Clark Capital Management Group Inc

Clemente Korea Emerging Growth Fund

Cox & Kings Overseas Fund

Credis Investment Funds

Daiwa Japan Small Equity Fd (u)

Dicam Worldwide Investment Fund

The Dragon Fund Sicav

Egypt Trust

Emerging Markets Brewery Fund SICAV

The European Asset Value Fund

FMG Mir SICAV

Fidelity Investment (CI) Ltd

The First Korea Smaller Companies Fund

Fischer Francis Trees & Watts

Fleming Group

Fonditalia Mgmt Company SA (Umbrella Fund)

Foreign & Colonial Emerging Markets Ltd

Framlington Russian Investment Fund

Fred Alger Management Inc

Global Funds Management S.A. (u)

Goldman Sachs

HSBC MAPT Luxembourg SA

HYPO Capital Mgmt Invest Luxembourg SA

Henderson Independent Fund

IXIS Management SA

International Bond Trust

INVESCO International Limited

InvesSud Investment Fund SICAV

Investissements Atlantiques SA

Kleinwort European Bd Fd Management SA

Korea Golden Gate Fund

Lebanon Holdings

Lloyds Bank Luxembourg (u)

MC Securities Limited London

MFS American Funds

MeesPierson Umbrella Fund

Merrill Lynch Asset Management

Merrill Lynch Asset Management - Contd.

Midland Intl Circuit Fund SICAV(u)

Monterey Trust SICAV

Murray Universal, Sicav

NICAM Asia Pacific Umbrella Fund

Nikko Bank (Luxembourg) S.A.

Nikko Capital Management

Nomura Asian Infrastructure Fd SICAV

Pan-Holding SA

Pictet Group

REIG Global Funds

Rosenberg Global Mngt Co SA (u)

Rosenberg Management SA (u)

Rosenberg US Japan Mngmt Co SA (u)

Rothschild (Group Edmond de)

SCI/TECH SA

Scudder, Stevens & Clark

Sector Fund

Seligman Global Horizon Funds

Sigma Fund SICAV

Skopia Asset Management

Societe Generale Emerging Europe Asset Mgt

State Street Luxembourg SA

State Street Research & Management Co

Storebrand Scudder Environmental Value Fd

Swiss Bank Corporation

TCW Luxembourg Funds

Target International Ltd

Templeton Emerging Asia

Templeton Russian & East European Debt Fd

Tower Fund

Tweedy, Browne Value Funds

Unico Financial Services SA Lux

Union Bancaire Privee

VLS Finance Ltd India

Van Kampen American Capital Navigator Funds

"WINTERTHUR" Fund Mngmt Co (Lux) SA

WP Stewart Global Growth Fund

World Trust Fund

OFFSHORE INSURANCES

Aberdeen International Ltd

Albany International Assurance Ltd

Allied Dunbar International Assce Ltd (z)

CMI Insurance Co Ltd

CMI Ins Co Ltd/Clerical Med Gen Life

Eagle Star Intl Life

Equitable Life (International)

Equity Fund Managers

Eurolife Assurance Group

Finance International Ltd

Friends Provident International

Generali International Limited

Hansard Europe Limited

Hansard International Ltd.

Irish Life International Ltd

Isle of Man Assurance Ltd

Labrow International Group

Midland Life International Ltd

Old Mutual Guernsey

Old Mutual Hong Kong

Old Mutual International (Guernsey) Ltd

Old Mutual International (Ireland) Ltd

Old Mutual International (Isle of Man) Ltd

PanEuroLife societe anonyme

Premier Life

Professional Investment Consultants

[illegible]

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Royal Life International
Royal Court, Arbory Rd, Castletown IoM 01624 821212

Fund	Selling Price	Buying Price	Yield Gross	City-Line
Paragon Growth A	£1.813	1.950	-	45718
Royal Life UK Mngd Fd	£2.544	2.236	-	45720
Royal Life Gilt Fd	£2.621	2.819	-	45721
Royal Life UK Eqr Fd	£2.339	2.514	-	45722
Royal Life Euro Fd	£2.717	2.922	-	45724
S.A.M. 1	£2.068	2.177	-	47847
S.A.M. 2	£1.589	1.673	-	47848
S.A.M. 3	£2.336	2.460	-	47849
S.A.M. 4	£1.908	2.009	-	47850

Royal Skandia Life Assurance Ltd (z)
Skandia Hse, Finch Rd, Douglas, IoM 01624 611611

Scottish Equitable International SA
24-28 Place de la Gare. L-1616 Lux 00 352 4818611

Scottish Mutual International Plc
16/17 Beresford Place, Dublin 1 00 3531 804 4000

Fund	Selling Price	Buying Price	Yield Gross	City-Line
£ Sterling Reserve	£1.0680	1.0680	-	46549
£ Safety Plus FTSE 100	£1.1659	1.1659	-	46534
£ UK Equity	£1.3820	1.3820	-	46535
£ UK Fixed Interest	£1.1820	1.1820	-	49133
£ Safety	£1.1630	1.1630	-	49132
£ Growth	£1.3060	1.3060	-	46508
$ Global Equity	$1.2980	1.2980	-	46510
$ Global Bond	$1.0260	1.0260	-	46462

Scottish Provident Intl Life Ass Ltd
Ballacottier Bus Pk, Cooil Rd, Douglas, IoM IM2 01624 681681

For Sun Alliance see Generali International

Sun Life International (IOM) Ltd
Bridge House, Castletown, Isle of Man
Tel: 44 (0) 1624 825000 Fax: 44 (0) 1624 825619

Fund	Selling Price	Buying Price	Yield Gross	City-Line
Aggressive Managed	£1.247		-	52275
Balanced Managed	£1.442		-	52277
Defensive Managed	£1.454		-	52279
Sterling Income	£1.256		-	52280
Sterling Guaranteed Money	£1.302		-	52283

OTHER OFFSHORE FUNDS

ATSP Management Ltd
Phillippines Long Term Equity
NAV Aug 31 — $38.54 — 47417

AXA Asset Management

Aberdeen Asset Management Asia Limited
India Growth Portfolio £11.59 12.00

Ability Fund Limited

For Abtrust Fd Mgs see Aberdeen Asset Mgmt Asia

Acciones y Valores de Mexico SA de CV
Accival Oct 1 Pesos85.60 — 55258

Africa Emerging Markets Fund
NAV Sep 30 $18.44383 — 58392

Alliance Capital

Allied Dunbar International Fund Mngrs (1600)F
ADI Emerging Asia $0.8151 0.8575sd 0 49559

Alsista Capital Management Ltd

Alpha Fund Management Ltd

Apax Bank & Trust Company

Arawis Capital Advisers LLC

Arc Investment Company Ltd

Ardent Investment Management Limited
The Alpha Unit Trust $58.76

Arisaig Partners (BVI) Ltd
Arisaig Asian Small Companies Fund
NAV Oct 2 $9.67

Arnfield-Herman Investment Mgmt Inc
Royce Hedge Fd Ltd $380.3130

Arnhold and S. Bleichroeder, Inc

Asia Pacific Securities Corp Ltd

Asian Convertibles & Income Fd (Cayman)
NAV Sep 25 $13.47 — 44490

Atlantico Investment Ltd

Atlantis Fund Management (Guernsey) Ltd

Atlas Management Limited
Managed $12.05 12.65 — 47260

Aurora Funds

BAS-EX Currency Fund Plc

BEA Associates

BNP
FT - Millenium 1 $1530.43

BZW Nikko US IT

Julius Baer Bank & Trust Co Ltd

Bahia Fund

Banca Reig. S.A. (Principality of Andorra)

Banco do Brasil-BB Fund

Banc Internacional D'Andorra Banca Mora

Bank of America
World Horizon Funds

Bank of Nova Scotia Trust Co (Cayman) Ltd

Bank Von Ernst & Cie AG

Bque Fr Serv & Co/Europ Inv Mgt Ltd

Banque Nationale de Paris Plc

Barclays Diversified Fund

Barclays Global Investors Hong Kong Ltd

Baring International Group

Baring Mutual (Ireland) Limited
Taiwan Fund NAV $14.68 0.00 52185

The Batavia Fund Ltd
NAV Sep 26 $11.45 — 43674

Bayard Partners Limited
The Bayard Fund Aug 31 $321.33

Beacon Ventures Ltd

Bear, Stearns International Ltd

Beaufort Capital Management

Bede & Co (Bermuda) Limited

Belgrave Capital Management Ltd

Bellinvest Funds

Berkshire Capital Management Group Ltd

Bermuda Capital Company Ltd
NAV Sep 29 $60.41 — 45992

Best International Management Inc

Birla Capital International AMC (Mauritius) Ltd

Blairmore Holdings Inc
NAV Aug 31 $4.31 — 55338

Boavista - VistaFund

Brunswick Capital Management (Cayman) Ltd

Buchanan Capital Management Ltd

Butterfield Fund Managers (Cayman) Ltd

CA Securities Investment Fund Mangt Ltd

CB Asset Management

CDC International

CML Fund Management Ltd

Cauxco Investment Management Ltd

Capital International
Capital Int. Fund (z) $216.34 — 44828

Carlson Investment Management Far East Ltd

Cathay Investment Fund Limited
NAV Aug 31 HK$18.48 — 49813

Caxton Global Investments Limited

Cazenove Funds Management Ltd

Chameleon Funds Limited

Champion Global Fund Management Ltd
Security Fund Ltd Aug 31 $1058.3578 — 47224

Chesapeake Capital Corporation

Clifton Investment Partners LP

The China Fund

The China Invest & Development Fd Ltd

China Securities Advisor Limited

Citibank Global Asset Mgmt (Asia) Ltd

Citizens Investment Trust Mgt & Secs Co Ltd

Colbert Securities Asset Management Limited

Columbus Asset Management Ltd

Commercial Union

Connor Asset Management Ltd

Coutts & Co Ag

Cowen Enterprise Fund N.V.

Craig Drill Capital Ltd
NAV Sep 30 $293.33 — 46623

Credis Investment Funds

Credit Agricole/INDOCAM

Creditanstalt Investment Co (Prague) as

Crosby Asset Management Ltd

Crystal Currency Fund Limited

Crystal Corporation N.V.

Crystal Fund Managers (Bermuda) Ltd

Cuiross Global Management Limited
The Eiger Fund (OEIC) $1495.74

DWS Deutsche Ges. F. Wertpapiersp

Daehan Investment Trust Co Ltd

Daiwa APT Japan Fund
Daiwa APT Japan $7.747 7.8801 — 47651

Daiwa Intl Capital Management (H.K.) Ltd

Darier Hentsch Fund Management SA

Delta Managed Funds Limited

Deltec Panamerica Trust Company Ltd

Deutsche Bank A.G.

Discover Investment

Dragon Securities Ltd
Natural Resources Corp. $0.78

Dresdner Bank Investment Group

EGS Overseas Fund Ltd

EIIR Eastern Natural Resources SA

East Europe Development Fund Ltd

Edelweiss Portfolio Ltd

Edinburgh Fund Managers (Bermuda) Ltd

Egerton European Dollar Fund Ltd
NAV Oct 2 $22.52 — 55477

Egerton European Equity Fund Ltd

Emerging Markets Management

Enigma Investments Ltd - Cayman

The Environmental Investment Co Ltd

Erngassen & Co Ltd

Ermitage Group

For Esprits see Arnfield-Herman

Europe 1992
NAV $18.36 — 45224

Eurovest Ltd

F.I. Founders Asset Management Ltd (IoM)

Fairway International Ltd

Falcon Fund International Inc
Falcon NAV Sep 30 $295.4517 — 47735

Federated International Global Funds

Feinstein Capital Management Corporation

Fidelity Advisor World Funds

Fidelity Investments

Fides Asset Management Ltd

Financiere Atlas

Firebird Capital Management

First Investments Ltd

First Mexico Income Fund
First Mexico Inc $19.42 — 44947

Fleming Leveraged Emerging Mkt Portfolio Ltd
NAV Sep 23 $11.29

Focus Group

Formosa Fund
NAV October 3 IOR US$12.02

Formosa Growth Fund Limited
NAV $24.85 — 50307

Foyil Asset Management Ltd

Framlington Group Plc

Franck Asset Management

Frank Russell Investments (Cayman) Ltd
US Equity $219.83 — 55375

Fernon Selz Financial Services

Futura World Trade Fund

GBC Asset Management

For GEM Dolphin see Banque Nationale de Paris plc

GIR Fund Management (Bermuda) Ltd

The GP Taiwan Index Fund
NAV Oct 3 $1.22 — 54003

GT Chile Growth Holdings Limited

GT Global

Gala Currency Funds

Garantia Banking Ltd

Garantia Fund of Funds Ltd

Gems Management Ltd

Genesis Fund Managers Ltd

The Glenmore Property Fund Ltd

Global Asset Management

Global Asset Management - Contd.

Global Alfa Inc
NAV Sep 30 $990.20 — 51870

Global Convertible Megatrend
NAV Aug 31 $137.84 — 55080

Global Fund Management S.A.

The Global Managed Investec Bond Limited

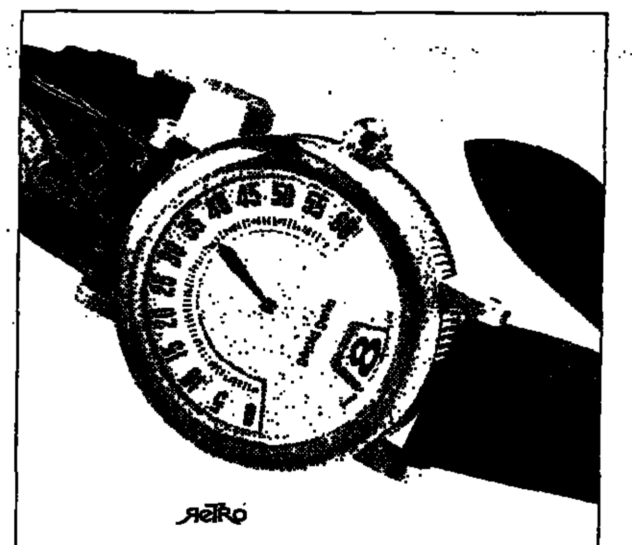
Global Portfolio (BVI) Management Ltd

Globalvest Management Co LP

Goldman Sachs

Group One International Tst

Gryphon Fund Management Ltd



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gērald genta
19, rue de Saint-Jean – case postale 120, CH-1211 GENÈVE 18
Tél.(41) 22 344 87 20 – Fax (41) 22 345 14 88

Guardian Global Asset Management Ltd

HSBC Asset Management (Bahamas) Ltd

Hambro-Spinner Renaissance Fund Ltd

Hanson Investment Group

Hansen Investment Funds

Hasenbichler Asset Management GmbH

Hanssmann Hldgs NV Curacao

Havana Asset Management Limited

Heritage Investment Fund Ltd

Hermes Financial Management (Egypt) Ltd

Hermitage Capital Management Ltd

Hull Capital Corpn

Hypothesis Capital Management Inc

IBJ Schroder Bank & Trust Company

IDF Inv & Development Financing Ltd

IKOS

InPac Asia Pacific Funds Limited

India Investment AG

The India Magnum Fund Ltd

The India Special Situations Fund Ltd

India Value Investments Limited (INVIL)

Indocam Asia

Indochina Asset Management Limited

For Indosuez Asset Mgmt see Indosuez Emerging Mkts

Indosuez Emerging Markets Asset Mgmt SA

For Indosuez Emerging Markets see Indocam Asia

Insinger Asset Management

Integral Hedged Assets Ltd

The International Investor

INVESCO Asia Ltd

INVESCO Asset Management

INVESCO France

Investors Fund Services (Ireland) Ltd

The Jaguar Fund N.V.
NAV Oct 2 $1191.74 — 50317

Jardine Fleming Inv Mngt Ltd

Jardine Fleming Unit Trusts Ltd

Only available during special offer periods *
Prices as at September 30

Jupiter Asset Management (Asia) Ltd

Jupiter Asset Mngt (Bermuda) Ltd

KD Offshore Fund, C.V.

Kenmar Global Investments Limited

Key Asset Management Inc

KI Asia Pacific Fund Ltd
KI Asia Pacific $15.93 18.13 — 61889

King Street Capital Ltd
NAV Aug 31 $108.06

Kingate Global Fund Ltd

Kingdon Offshore N.V.

Korea Intl Investment Fund
NAV Sep 29 $133.49 — 50322

Korea Intl Investment Fund Ltd (II)

Korea International Investment Fund Ltd (III)

Korea International Investment Fund Ltd (IV)

Korea International Investment Fund Ltd (V)

Korea International Investment Fund Ltd (VI)

Korea International Investment Fund Ltd (VII)

Korea International Investment Fund Ltd (VIII)

Korea Investment Trust Co Ltd

LIM Asia Special Fund Inc
NAV Aug 23 $11.19 — 46075

Liberal BAS Funds

Lippo Asia Ltd

Littlestone Associates, Inc

Lloyd George Management

Lloyds Bank

Lloyds Bank Government Bonds

Lloyds Bank International (Bahamas) Ltd

MBf Unit Trust Managers Limited

MC Bohemia Investment Company SA

MCT Eastern Europa Ltd
NAV Sep 28 $1771.75

For MCT International see The Red Square Debt Ltd

MD Sass Re/Enterprise International Ltd

MFS Meridian Funds

MPFC Overseas Limited

McGinnis Global Fund Ltd
NAV Aug 31 $3076.08 — 54223

Magnum Funds

Magus Asset Management

Malaysia Growth Fund

E D & F Man Investment Products

Martin Currie Investment Management

Masters International Advisors

Matrix

Mauritius Fund Ltd

MeesPierson

Merrill Lynch Asset Management

Millennium Asset Management

Minoisiak International Ltd
NAV Oct 2 $131.28 — 50334

Momentum Asset Mgmt

Moneda Asset Management

Montgomery Emerg Communications Fd Ltd

Montgomery Emerging Markets Fund Ltd

Montpelier Asset Management Ltd

Moore Global Investment

Morgan Stanley/BLL Global Allocation Fd Ltd

Morgan Stanley Emerging Markets Income

Mortimer & Scott

National Investment Trust Company Ltd
The New Taipei Fund Ltd $22.1724 — 47737

National Mutual Funds Management

Nicholas-Applegate Capital Mgmt (HK) LLC

Norsfield International Ltd (Bahamas)

North Atlantic Management Co Ltd

North Star Fund Managers (Cayman) Ltd

Northern Light Funds Limited

Odey Asset Management Ltd

O' Higgins Asset Management

Old Mutual Intl Fund Managers (IoM) Ltd

Omega Overseas Partners Ltd

Omnia Fund Ltd

Opportunity Fund (z)

Optima Fund Management

Orbitex Management Ltd

ORIENT Growth Fd
NAV $15.29 — 47655

Oriental Development Company Ltd

Orion Capital Advisors Ltd

Oryx Fund Ltd

Oryx (India) Fund Ltd

Oryx International Growth Fund Ltd

The Osprey Group Of Funds

Oxford Strategic Fund

PFPC International Ltd

PRS International

Packsif

Pakistan Fund

Panergy Limited

Park Place Capital Limited

Paulson International Ltd

Pequot Energy Offshore Fund Inc

Pequot International Fund Inc

Pequot Technology Offshore Fund Inc

Perry Partners International Inc

Peru Select Group of Funds Limited

Philippine Income Fund Inc

Phoenix Four, Inc

Power Capital Limited

Powers & Dubin Asst Allocation & Mgmt Co

Private Capital Portfolio Management Ltd

The Private Client Portfolio

Professional Investment Consultants Ltd

Prospect Asset Management (CI) Ltd

Prospector Fund Management Ltd

Protected Asset Management (IOM) Ltd

Putnam Europe Ltd

Putnam Offshore Funds

Quantum Group

RRB Asset Management Private Limited

Raffles-Asia Investment Company

Rainbow Global High Yield Fund

Real Estate Strategies Ltd

The Red Square Debt Fund Ltd

Regent Fund Management Ltd

Renaissance Capital Asset Management Ltd

Rosenwald, Rodin & Co Ltd

Russia Growth Fund Ltd

Russia Value Fund LP

SC Knight Asset Management (Cayman) Ltd

SEI Feeder Fund

Sabre Fund Management Ltd

Saudi American Bank

Schroder Investment Management Limited

Schroder Investment Mngt (Hong Kong) Ltd

Schroder Investment Mngt (Singapore) Ltd

Schroder Japanese Warrant Fund

Scudder, Stevens & Clark Inc

Secure Growth Fund Ltd (Bermuda)

Secured Profits Fund Limited

Selective Assets Series Fund Limited

Shinzemi Investment Mngmt (Bermuda) Ltd

Sintra Fund Ltd

Sloane Robinson Investment Mngmt Ltd

Smith Barney Funds

Societe Generale Group

Sofilic Asset Management Inc

Soiner Capital Inc

The Southeast Asia Frontier Fund (SEAFF)

Carl Spaengler KAG

State Street Banque SA

Stephen Brooke Partners

Strome Offshore Limited

Summit Money Management (Bermuda) Ltd

Swiss Finance Corporation

Swiss Bank Corporation

Swiss Finance Global Funds

TIS Group Managers Ltd

Taipei Fund

Templeton Global Advisors Ltd

Thai Development Capital Fund Ltd

The Thai-Euro Fund Ltd

The Thai Prime Fund Limited

The Thailand Fund

The Thailand Growth Fund

The Thailand Intl Fund Ltd

Thames Currency Funds

Thornton Investment Management Ltd

For Thornton Inv Mgmt see The Osprey Group of Funds

Titan Capital Management

The Torrey Funds

Tradewinds Financial Corporation

Trans Global Funds Group

Trigon Fund Limited

Trigone Capital Finance SA

UBS Private Investor Funds

USS Floating Rate Fund Ltd

UTI (Guernsey) Limited

Ultra Carberus Fund Ltd

Ultra Hermes Fund

Ultra Interest Plus Fund

Ultra WestcliffFund Ltd

Unibanco-Uniao de Bancos Brasileiros S.A

Union CAL Ltd

Value Partners Fund

Vantage Investment Management Ltd

Venus Value Fund Ltd

The Vietnam Frontier Fund

The Vietnam Fund Limited

Webster Management Group

Westman & Leander-Engstrom Inv Mgmt Ltd

Worldwide Limited

Xerxes Fund Management Ltd

Xiphias International Investment Fd Ltd

Zanett Lombardier Ltd

Zelant Investment Management AG

Zweig-DiMenna International Limited

● MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. (**) Funds not SIB recognised. The regulatory authorities for these funds are: Bermuda - Bermuda Monetary Authority; Guernsey - Financial Services Commission; Ireland - Central Bank of Ireland; Isle of Man - Financial Supervision Commission; Jersey - Financial Services Department; Luxembourg - Institut Monetaire Luxembourgeois. Initial charge - Charge made on sale of units. Selling price - Bid or redemption price. Buying price - Offer or issue price. OEIC - Open Ended Investment Company. Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols: (♦) 0001 to 1100 hours (♦) 1101 to 1400 hours (▲) 1401 to 1700 hours (#) 1701 to midnight. E - Exit charge on sale of units. C - Manager's periodic charge deducted from capital. H - Historic pricing F - Forward pricing. k - Distribution free of UK taxes. p - Periodic premium insurance plans. s - Single premium insurance. xc - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities). x - Offered price includes all expenses except agent's commission. z - Previous day's price. ◆ Guernsey gross. ◆ Yield before Jersey tax. † Ex-subdivision. ‡ Ex-dividend. ‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase.

The fund prices published in this edition are also available on the Financial Times' web site http://www.FT.com

هكذامن الأجمل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 3 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Oct 3 / Frs.)

[illegible]

CZECH REP (Oct 3 / Koruna)

[illegible]

DENMARK (Oct 3 / Kr)

[illegible]

FINLAND (Oct 3 / Mka)

[illegible]

FRANCE (Oct 3 / Frs.)

[illegible]

GERMANY (Oct 2 / Dm.)

[illegible]

GREECE (Oct 3 / Drachma)

[illegible]

ITALY (Oct 3 / Lire)

[illegible]

NETHERLANDS (Oct 3 / Fls.)

[illegible]

NORWAY (Oct 3 / Kroner)

[illegible]

POLAND (Oct 3 / Zloty)

[illegible]

PORTUGAL (Oct 3 / Escudo)

[illegible]

SPAIN (Oct 3 / Pts.)

[illegible]

SWEDEN (Oct 3 / Kronor)

[illegible]

SWITZERLAND (Oct 3 / Frs.)

[illegible]

TURKEY (Oct 3 / Tk Lira)

[illegible]

Digital infotainment will be coming to a TV near you, with a little help from Rockwell Semiconductor Systems.

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PACIFIC

JAPAN (Oct 3 / Yen)

[illegible]

AUSTRALIA (Oct 3 / Aust$)

[illegible]

HONG KONG (Oct 3 / H.K.$)

[illegible]

INDONESIA (Oct 3 / Rupiah)

[illegible]

MALAYSIA (Oct 3 / MYR)

[illegible]

NEW ZEALAND (Oct 3 / NZ $)

[illegible]

SINGAPORE (Oct 3 / S$)

[illegible]

SOUTH KOREA (Oct 2 / Won)

[illegible]

TAIWAN (Oct 3 / TW $)

[illegible]

THAILAND (Oct 3 / Baht)

[illegible]

AFRICA

SOUTH AFRICA (Oct 3 / Rand)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Oct 3 / Can $) 4 pm close

[illegible]

MONTREAL (Oct 3 / Can $) 4 pm close

[illegible]

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY OCTOBER 3 1997 US Dollar Index	%chg since 31/12/96	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/96	Gross Div. Yield	THURSDAY OCTOBER 2 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	238.90	8.8	217.86	183.08	217.07	216.34	18.4	3.53	238.24	218.57	182.23	218.87	217.43	243.87	208.22	209.61
Austria (24)	213.59	12.5	196.43	165.07	195.71	195.62	28.7	1.68	212.17	194.65	162.29	194.92	194.83	213.59	175.14	180.71
Belgium (28)	258.61	12.7	235.99	198.31	235.13	230.22	29.1	3.00	252.82	231.94	193.38	232.26	227.30	261.11	215.57	221.99
Brazil (30)	300.57	58.5	276.42	232.29	275.41	608.65	67.2	1.21	297.86	273.08	227.68	273.46	600.94	322.44	178.94	185.22
Canada (123)	229.35	20.8	210.92	177.25	210.15	227.80	20.9	1.66	227.58	208.77	174.06	209.06	226.67	229.35	172.43	172.43
Denmark (32)	428.36	21.7	393.94	331.04	392.50	390.86	38.4	1.31	424.95	389.58	324.81	390.12	388.46	428.36	324.27	324.27
Finland (28)	344.13	40.1	316.48	265.95	315.33	381.73	60.7	1.44	338.32	310.38	258.78	310.81	378.08	344.13	211.71	217.33
France (83)	246.23	15.0	226.44	190.29	225.62	228.77	31.1	2.31	242.68	222.64	185.62	222.95	226.00	246.23	197.30	197.30
Germany (59)	238.82	25.7	219.63	184.57	218.83	218.83	43.8	1.31	238.20	218.53	182.20	218.83	218.83	238.82	178.46	178.46
Hong Kong, China (66)	518.79	2.3	477.10	400.93	475.37	515.39	2.4	3.02	517.53	474.79	395.85	475.45	514.11	580.03	439.95	454.54
Indonesia (27)	119.84	-47.5	110.21	92.61	109.81	267.60	-19.1	2.53	134.53	123.42	102.90	123.59	281.76	254.90	119.84	211.17
Ireland (17)	393.39	19.6	361.78	304.02	360.47	381.53	39.4	2.54	389.09	356.96	297.61	357.45	376.81	393.39	303.65	307.80
Italy (53)	110.46	32.3	101.59	85.37	101.22	142.43	50.2	1.67	108.53	99.57	83.02	99.71	140.47	115.27	75.44	81.67
Japan (484)	118.18	-8.4	108.68	91.33	108.29	91.33	-3.5	0.87	118.31	108.54	90.49	108.69	80.48	145.66	107.57	145.66
Malaysia (107)	280.54	-53.5	257.99	216.80	257.06	363.30	-38.1	1.96	282.72	259.37	216.25	259.73	361.93	660.85	280.02	575.66
Mexico (27)	1882.83	54.3	1731.35	1454.93	1725.05	15958.54	52.0	1.52	1891.60	1735.39	1446.86	1737.79	16024.24	1898.64	1136.59	1287.13
Netherlands (19)	440.67	31.1	405.26	340.56	403.78	389.26	50.5	2.09	430.27	394.74	329.11	395.28	390.91	440.67	304.52	304.52
New Zealand (14)	93.50	1.9	85.99	72.26	85.68	77.47	12.3	3.93	92.95	85.27	71.10	85.39	76.70	96.47	83.03	87.14
Norway (41)	364.11	28.2	334.85	281.39	333.64	347.68	35.7	1.77	356.22	326.81	272.47	327.26	343.13	364.11	256.90	256.90
Philippines (22)	93.86	-54.0	86.14	72.38	85.82	163.13	-38.9	1.30	95.12	87.26	72.76	87.38	162.24	214.07	93.66	199.17
Singapore (42)	290.19	-30.9	266.87	224.26	265.90	208.21	-23.8	1.53	296.56	272.07	226.83	272.44	209.30	448.01	284.17	393.96
South Africa (43)	335.13	5.2	308.20	259.00	307.08	342.04	5.1	2.49	333.43	305.89	255.03	306.32	339.72	370.12	301.49	351.34
Spain (33)	276.25	25.7	254.05	213.49	253.12	311.50	43.8	2.11	275.79	253.01	210.85	253.36	311.92	277.33	181.79	181.79
Sweden (49)	536.80	27.2	493.66	414.85	491.87	598.26	40.3	1.72	532.87	488.86	407.58	489.54	595.66	536.80	383.41	383.41
Switzerland (33)	328.40	37.7	302.01	253.79	300.91	295.48	48.8	1.13	323.32	296.62	247.30	297.03	290.84	329.59	231.69	245.88
Thailand (39)	42.21	-55.9	38.82	32.62	38.67	59.63	-37.5	4.86	43.92	40.29	33.60	40.35	61.79	135.88	37.40	135.88
United Kingdom (213)	337.20	19.1	310.10	260.59	308.98	310.10	26.4	3.20	335.81	308.08	256.86	308.50	308.08	337.20	252.17	252.52
USA (634)	392.80	30.1	361.24	303.56	359.92	392.80	30.1	1.56	390.93	358.65	299.02	359.15	390.93	392.80	262.37	262.37
Americas (814)	359.48	30.2	330.60	277.82	329.39	302.66	30.2	1.56	357.74	328.19	273.63	328.65	301.23	359.48	258.40	258.40
Europe (712)	296.06	23.5	272.27	228.80	271.28	279.02	36.5	2.28	293.32	269.10	224.36	269.47	278.60	296.06	220.39	220.55
Nordic (150)	463.48	27.8	426.25	358.20	424.70	453.69	42.3	1.82	458.62	420.75	350.79	421.33	450.53	463.49	327.70	327.70
Pacific Basin (877)	134.46	-9.6	123.65	103.91	123.20	104.99	-4.2	1.39	134.73	123.60	103.05	123.77	104.30	160.96	127.18	160.66
Euro-Pacific (1589)	201.90	8.2	185.67	156.03	185.00	170.24	17.1	1.93	200.91	184.32	153.67	184.57	168.90	208.12	173.55	185.48
North America (757)	382.71	29.7	351.96	295.77	350.68	381.80	29.7	1.58	380.84	349.39	291.30	349.87	379.99	382.71	275.69	275.69
Europe Ex. UK (499)	267.07	26.2	245.61	206.39	244.71	255.43	42.5	1.75	263.82	242.04	201.80	242.37	252.91	267.07	199.34	198.40
Pacific Ex. Japan (393)	274.79	-12.8	252.70	212.36	251.79	257.68	-5.3	2.89	278.11	253.31	211.19	253.88	256.11	320.65	260.02	295.04
World Ex. US (1812)	206.65	8.5	190.04	159.70	189.35	177.82	17.8	1.91	205.62	188.64	157.27	188.90	176.28	212.89	176.94	187.31
World Ex. UK (2233)	259.54	18.6	238.69	200.58	237.81	232.50	23.0	1.58	258.25	236.93	197.53	237.25	231.07	262.69	211.16	213.51
World Ex. Japan (1962)	340.91	24.8	313.51	263.46	312.37	332.81	29.3	1.89	338.92	310.93	259.24	311.96	330.91	340.91	255.15	255.15
The World Index (2446)	266.16	18.7	244.77	205.69	243.88	239.53	23.4	1.75	264.87	242.99	202.59	243.33	238.04	267.21	216.05	216.89

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Emerging markets: IFC Investable Indices

Dollar terms

Oct. 2 Market		Day's % chg	% Chg since 31/12/96
Latin America			
Argentina	1,255.70	+0.4	+32.1
Brazil	609.82	+1.9	+53.9
Chile	773.38	-0.4	+24.7
Colombia[1]	884.79	-0.1	+39.8
Mexico	830.62	-0.2	+56.8
Peru[2]	254.04	+3.0	+29.1
Venezuela[3]	1,131.52		+55.4
East Asia			
China[4]	87.02		+18.0
Korea[5]	66.35	-1.4	-11.5
Philippines	144.17	-1.5	-50.9
Taiwan, China[6]	167.50	-2.2	+9.3
South Asia			
India[7]	89.46	+0.1	-22.4
Indonesia[8]	75.29		-41.0
Malaysia	159.87	+0.7	-52.5
Pakistan[9]	279.14	-0.2	+42.6
Sri Lanka[10]	133.11	-0.2	+40.0
Thailand	104.34	+1.5	-59.8
Europe/Mideast/Africa			
Czech Rep	84.81	+2.0	-7.5
Egypt	165.12	-0.0	-
Greece	388.84	-1.9	+60.4
Hungary[11]	285.58	-0.1	+50.2
Israel	128.57	+0.1	+28.4
Jordan	224.08	+0.1	+20.0
Morocco	129.92	+0.9	-
Poland[12]	744.35	+0.4	+1.6
Portugal	208.54	+1.2	+42.7
Russia	193.41	+3.2	-
S Africa[13]	221.90	+1.0	-6.4
Slovakia	89.82	-0.2	-
Turkey[14]	265.05	+4.4	+91.7
Zimbabwe[15]	528.11	+0.2	+11.8
Regions			
Composite	307.40	+0.5	+4.2
Latin America	787.30	+0.7	+46.3
Asia	186.07	-0.4	-34.3
EMEA	167.78	+1.4	+24.9

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Latest indices were unavailable for this edition.

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ¶ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Oct 3	Oct 2	Oct 1	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	8038.58	8027.53	8015.50	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	104.43	104.34†	104.48	104.70 (31/7)	101.09 (14/4)	104.70 (31/7/97)	54.99 (1/10/81)
Transport	3207.79	3227.78	3203.59	3227.78 (2/10)	2222.07 (2/1)	3227.78 (2/10/97)	13.23 (8/7/32)
Utilities	242.81	243.74	240.34	243.74 (2/10)	208.47 (25/4)	258.46 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 8183.22 (8087.45) Low 7937.89 (7943.79) (Theoretical‡)
Day's high 8144.42 (8033.67) Low 7958.07 (7984.08) (Actual‡)

Standard and Poors	Oct 3	Oct 2	Oct 1	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	965.03	960.46	955.41	965.03 (3/10)	737.01 (2/1)	965.03 (3/10/97)	4.40 (1/6/32)
Industrials♥	1126.19	1122.83	1117.44	1130.76 (8/8)	865.42 (11/4)	1130.76 (8/8/97)	3.52 (30/6/32)
Financial♥	115.40	113.58	112.84	115.40 (3/10)	80.75 (2/1)	115.40 (3/10/97)	7.13 (4/9/74)
Others							
NYSE Comp.	505.69	503.43	501.08	505.69 (3/10)	389.47 (11/4)	505.69 (3/10/97)	4.84 (25/4/42)
Amex Comp	709.92	704.96	703.27	709.92 (3/10)	541.20 (28/4)	709.92 (3/10/97)	524.20 (16/7/86)
NASDAQ Comp	1715.87	1702.41	1690.30	1715.87 (3/10)	1201.00 (2/4)	1715.87 (3/10/97)	54.87 (9/10/74)
Russell 2000	459.52	456.94	454.86	459.52 (3/10)	335.85 (25/4)	459.52 (3/10/97)	123.36 (7/12/83)

RATIOS

	Sep 26	Sep 19	Sep 12	Year ago
Dow Jones Ind. Div. Yield	1.68	1.67	1.69	2.17
	Oct 1	Sep 24	Sep 17	Year ago
S & P Ind. Div. yield	1.48	1.50	1.50	1.95
S & P Ind. P/E ratio	25.72	25.42	25.37	22.74

US DATA

MARKET ACTIVITY

● Volume (million)	Oct 3	Oct 2	Oct 1
NYSE	625.821	476.078	601.912
Amex	32.986	23.884	33.819
NASDAQ	(u)	714.347	984.733

NYSE	Oct 3	Oct 2	Oct 1
Issues Traded	3,416	3,394	3,397
Rises	1,840	1,857	1,923
Falls	1,090	1,169	976
Unchanged	486	568	498
New Highs	541	352	381
New Lows	6	12	13

NYSE TRADING ACTIVITY — Volume : 625,821,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Boeing	13,849,100	51⅝	−½
Hst Marriot	7,921,200	23½	+⅛
AT&T	5,252,700	43⅜	−⅛
Compaq	4,982,000	75⅞	+⅛
Gen Elec	4,344,800	69¼	−¼
Micron	4,224,700	33⅝	−⅛
Tel Brasil	4,119,700	140¼	+2½
Travelers Grp	4,065,800	71⅞	+1¼
Philip Morris	3,994,900	43¼	+¼
Adv Micro	3,814,100	29⅞	+⅞

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
AG Edwards	38⅝	+3⅝	+10.1
Paine Webb	51⅝	+4⅛	+8.8
Reading Bts	43⅝	+2⅞	+7.2
Falcon Drill	37⅝	+2⅞	+8.9
Downs			
PT Tele	18⅞	−1⅞	−8.7
Paxs Enter	29¼	−2¼	−7.2
Frontier Ins	36½	−3¼	−8.7
Indosat	24	−1⅞	−6.6

NASDAQ TRADING ACTIVITY — Volume : 777,823,000

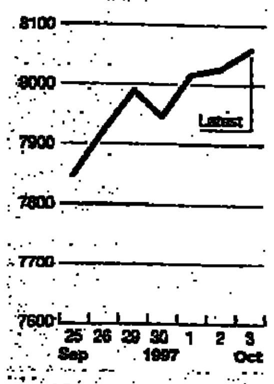
ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Worldcom	30,428,500	38¼	+⅛
MCI Comms	17,017,500	36¼	−⅛
Cisco Sys	13,914,800	78½	+2¼
Intel	10,889,500	93⅞	+⅛
Sygnet Tch	8,308,800	3⅝	+⅛
Sun Micro	7,811,200	46⅝	+1⅛
Microsoft	7,529,300	134⅞	+1⅛
Three Com	7,374,400	51⅛	+⅛
Filenet	5,667,600	22¾	+6½
Ascend Com	5,912,400	32⅞	−⅛

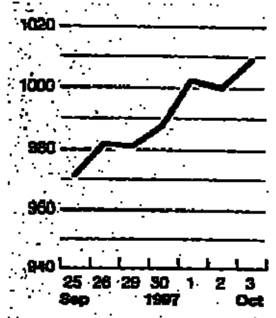
BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Filnet	22¾	+6½	+40.0
Think Tool	17	+4½	+36.0
AT Home	26¼	+4¼	+19.0
Info Megnt	31¾	+3¾	+13.6
Downs			
Closure Med	30	−4¼	−12.7
Reliable Life	139	−18½	−12.3
Inmet Sys	21¼	−2⅞	−12.1
Br Biotech	22¼	−2¾	−10.8

Dow Jones



FTSE Eurotop 300



JAPAN

	Oct 3	Oct 2	Oct 1	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	17647.45	17455.04	17842.16	20681.07	17303.65	38915.9	85.25

TOKYO TRADING ACTIVITY — Volume : 371,000,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Nippon Stl	9,064,000	269	+14
Sakura Bk	6,717,000	555	−5
NKK	6,318,000	165	+7
Hitachi	6,046,000	1100	+40
NEC	4,848,000	1480	−10
Fujitsu	4,728,000	1530	+40
Kawasaki Stl	4,261,000	225	+5
Daiwa Secs	4,151,000	780	+12
Toshiba	4,013,000	674	+5
Tokio Kogyo	3,789,000	1	

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Nps Eng Cns	505	+80	+18.8
Dynic	520	+76	+17.1
Sanyo Sec	76	+11	+16.9
Daikyo	184	+26	+16.5
Downs			
Tachikawa	119	−25	−18.5
Tok Inzun Met	300	−68	−18.5
Miyakoshi	124	−26	−17.3
Shin Nikkei	167	−35	−17.3

FRANCE

	Oct 3	Oct 2	Oct 1	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	3094.01	3052.07	3054.93	3094.01	2256.97	3094.01	984.61

PARIS TRADING ACTIVITY — Volume : 363,916,570

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Rh PoulencA	1,208,124	280.7	+9.7
Bull	807,828	88.8	+1.05
Usinor	688,112	124.4	+2.9
Elf Aquit	642,824	805.0	+21.0
BNP	571,245	312.1	+2.1
Renault	537,909	184.1	+3.4
Total	537,674	702.0	+15.0
AXA-UAP	521,560	402.9	+0.3
Cie Gen Eaux	503,203	722.0	+13.0
Alcatel Alsth	481,122	825.0	+27.0

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Degremont	500.0	+80.8	+19.3
Nobel	181.0	+21.0	+13.1
Labs Dolisos	133.4	+12.3	+10.2
Exor	334.0	+30.0	+9.9
Downs			
Clarins	553.0	−113.0	−17.0
Aurea	67.0	−11.0	−14.1
Coora	40.65	−4.3	−9.6
Bourgeois	51.9	−4.1	−7.3

GERMANY

	Oct 3	Oct 2	Oct 1	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	closed	4273.71	4196.98	4438.93	2848.77	4438.93	851.18

FRANKFURT TRADING ACTIVITY — Volume : 15,993,537

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Deutsche Bnk	1,137,266	126.0	−0.9
Deutsche Tel	850,367	35.3	+0.3
Lufthansa	708,349	36.9	+1.15
Commerzbk	672,035	65.8	+1.7
Daimler	613,767	145.35	−0.25
Veba	555,474	108.5	+4.15
Dresdner Bnk	486,665	83.8	+1.0
BASF	479,864	65.4	+1.15
Bayer	469,577	72.25	+1.10
Bayer Vereis	457,190	108.3	+5.1

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Praktiker	32.0	+2.8	+9.6
Frankfl Bnk	490.0	+40.0	+8.9
Jungbrch av	300	+20	+7.1
Bayer Vereis	108.3	+5.1	+4.9
Downs			
Phoenix	31.35	−1.95	−6.0
Moksel	17.3	−0.90	−4.9
Walnig	68.0	−3.5	−4.9
Fag Kugelfer	31.75	−1.55	−4.7

UK

	Oct 3	Oct 2	Oct 1	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	5330.8	5296.1	5317.1	5330.80	4056.60	5330.8	986.9

LONDON TRADING ACTIVITY — Volume : 819,800,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
BT	49,291,920	469½	+10
BG	18,026,440	264½	+1
Norwich U	15,885,940	340½	+2
Barclays	14,442,020	1697½	−46½
Wiggins	12,882,130	11¼	+¼
Nat West	12,654,420	998	+12
Lloyds TSB	12,440,370	810	−10½
Middlesex	12,178,210	8¼	+½
Shell T&T	11,168,350	484½	+8½
BP	10,654,940	933	+½

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Verity	72¼	+15	+26.0
Diploma	292½	+47½	+19.4
Tunstall	107	+16	+17.6
Heath (S)	133½	+18½	+16.1
Downs			
Trlog Int	7¼	−2½	−25.0
Br Biotech	134	−15½	−10.4
Russell (A)	97½	−6	−5.8
Dasta Beso	885	−22½	−3.2

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	969.15	975.45	+8.35	985.50	961.75	41,965	186,328
Mar	984.00	985.90	+8.45	984.00	977.50	161	3,077
Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	17510.0	17660.0	+160.0	17700.0	17360.0	27,584	163,581
Mar	17460.0	17620.0	+160.0	17620.0	17460.0	5	7,712

Open interest figures for previous day.

CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Oct	3073.0	3103.0	+44.0	3124.0	3069.0	13,980	32,891
Nov	3080.0	3111.5	+44.5	3124.0	3080.0	417	6,772
DAX							
Dec	4298.0	4290.0	−12.0	4315.5	4271.0	13,836	61,768
Mar	4331.0	4326.5	−12.5	4340.0	4308.5	246	2,522

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Oct	2630.0	2642.00	+18.00	2654.00	2615.00	4,786	24,840
SOFFEX							
Oct	5830.6	5939.0	+109.0	5960.0	5830.6	4,969	23,986

WORLD MARKETS AT A GLANCE

Country	Index	Oct 3	Oct 2	Oct 1	1997 High	1997 Low	✠ Yield	✠ P/E
Argentina	General	25155.61	25126.60	25030.68	25155.61 3/10	18237.37 2/1	2.59	21.1
Blue-chip stocks fell back after early gains as tension in Middle East took its toll on Wall Street.								
Australia	All Ordinaries	2783.1	2778.9	2779.2	2779.20 25/9	2252.20 1/4	3.29	19.5
	All Mining	797.9	810.0	810.1	987.10 24/2	755.10 18/9		
News Corp marked down on speculation that it might repurchase MCI's $1.3bn of News stock following WorldCom bid.								
Austria	Credit Aktien	(c)	471.50	466.60	471.59 2/10	374.40 9/1	1.82	17.2
	Traded Index	1464.94	1458.80	1439.48	1480.49 31/7	1130.22 9/1		
US data drove market sharply higher late in day and analysts forecast that upward momentum would be maintained next week.								
Belgium	BEL20	2607.13	2472.94	2470.56	2621.08 28/7	1871.05 2/1	2.3	16.5
Market sharply higher late in session but analysts warned that dollar sensitive stocks would be vulnerable next week.								
Brazil	Bovespa	12541.0	12397.0	12173.0	13617.00 9/7	6965.80 2/1	0.41	na
Stocks ended strongly in heavy volume, despite afternoon profit-taking, amid optimism about the privatisation of Telebras								
Canada	TSE 100♦	422.70	420.15	419.31	422.70 3/10	342.12 11/4	1.69	21.4
	Metals Minls♦	4789.50	4861.36	4820.51	5691.76 10/3	4635.98 25/9		
	Composite♦	7091.90	7055.50	7044.60	7091.90 3/10	5679.30 14/4		
	Portfolio§§	3482.38	3451.83	3445.52	3504.53 7/8	2849.82 11/4		
Stocks rallied to intra-day and closing highs after US employment data.								
Chile	IGPA Gen♥	5442.01	5444.15	5470.74	5966.71 4/7	4912.42 2/1	3.23	17.8
Early rally was cut short by concerns about inflation and afternoon reversal on Wall Street.								
China	Shanghai B	(c)	(c)	(c)	98.21 7/5	88.78 9/1	1.3	65.5
	Shenzhen B	(c)	(c)	(c)	184.20 6/5	120.44 9/7		
Shanghai and Shenzhen exchanges remained closed; trading will resume today.								
Colombia	IBB	1469.69	1464.56	1469.41	1472.06 30/9	944.41 2/1	na	na
Shares rose marginally in quiet session with market movements unaffected by assassination attempt on armed forces chief.								
Czech Republic	PX 50	539.3	538.7	533.6	629.00 25/2	476.70 21/5	na	na
Foreign demand took shares higher early in session before prices pulled back as blue chips lost momentum.								
Denmark	CopenhagenSE	660.77	659.77	653.78	660.77 3/10	478.14 2/1	1.3	20.9
Shares at all-time high; favourable bond scene at home and abroad, combined with higher Dow, set scene for further rise.								
Egypt	Cairo SE Gen	(u)	378.1	376.91	– –	– –	na	na
Finland	HEX General	3832.30	3785.67	3753.94	3832.30 3/10	2463.29 2/1	2.05	18.7
Shares extended record-breaking run and late burst of activity took turnover above FM1bn.								
France	SBF 250	1986.30	1976.51	1979.85	2093.43 31/7	1633.19 2/1	2.55	17.6
	CAC 40	3094.01	3052.07	3054.93	3094.01 3/10	2256.97 2/1		
Market climbed to record high; oil sector stood out as crude market price topped $21 a barrel.								
Germany	FAZ Aktien	(c)	1412.25	1389.79	1481.44 31/7	986.21 2/1	1.36	20.9
	Commerzbank	(c)	4116.80	4052.00	4336.70 31/7	2876.99 2/1		
	DAX‡	(c)	4273.71	4196.98	4438.93 31/7	2848.77 2/1		
Closed for public holiday.								
Greece	Athens SE	1779.35	1745.72	1771.04	1779.35 3/10	854.54 2/1	2.41	18.3
Shares sped to another all-time high as sentiment was driven by reports of sharp decline in September inflation.								
Hong Kong	Hang Seng	15128.02	(c)	(c)	16673.27 7/8	12055.17 3/4	2.55	15.4
	HSCC Red Chip	3433.40	(c)	(c)	4110.55 27/8	1846.45 9/1		
HK Telecom rose sharply in response to WorldCom's bid for MCI as trading resumed after the National Day holiday.								
Hungary	Bux	7681.58	7639.90	7684.95	8483.89 6/8	4281.30 6/1	na	na
Firming prices and high turnover put oil and gas company, MOL in spotlight in otherwise quiet market.								
India	BSE Sens.	3947.73	(c)	3905.51	4548.82 5/8	3225.24 2/1		
	Crisil 500	711.79	(c)	721.51	843.28 5/8	622.71 2/1	na	na
Selling by local investors in last 15 minutes of weekly account pulled prices down.								
Indonesia	Jakarta Comp.	515.47	538.92	538.98	740.83 8/7	479.01 2/9	1.92	14.9
Shares sharply down across the board in response to the rupiah's dramatic decline against dollar								
Ireland	ISEQ Overall	3905.59	3845.01	3838.35	3905.59 3/10	2725.87 2/1	2.26	18.8
Market took lead from US and neighbouring European markets to move sharply ahead.								
Israel	Mishtanim 100	(c)	(c)	(c)	311.76 5/8	214.15 2/1	na	na
Italy	BCI Comit 30	233.18	229.44	231.50	242.86 26/9	155.74 2/1	1.63	24.3
	Banca Com Ital	974.19	958.13	957.20	998.58 26/9	642.55 2/1		
	Mibtel General	15535.0	15317.0	15403.0	16058.00 26/9	10488.00 2/1		
Market back to same level as Monday, before week's domestic political crisis sent prices down sharply.								
Japan	Nikkei 225	17647.45	17455.04	17842.16	20681.07 16/6	17303.65 10/1	0.84	47.3
	Nikkei 300	273.75	271.35	275.80	303.71 28/7	251.04 27/1		
	Topix	1378.15	1366.78	1386.45	1580.28 26/6	1320.82 10/4		
	2nd Section	1427.49	1427.15	1433.19	1848.25 30/6	1427.15 2/10		
Market rebounded for the first time in seven trading days as bargain hunters scooped up leading blue chips.								
Jordan	Amman SE	(c)	(c)	176.14	– –	– –	na	na
Malaysia	KLSE Comp.	797.29	791.58	795.83	1271.57 25/2	731.12 4/9	2.26	13.4
Cautious buying helped shares marginally higher as investors remained firmly focused on the currency and interest rates.								
Mexico	IPC	5314.18	5325.53	5354.40	5364.21 1/10	3369.46 2/1	1.15	18.3
Market fell off early gains as shares rose and sank with US long bond market.								
Morocco	CASA	666.18	664.69	663.56	689.75 23/4	491.90 3/1	na	na
Bourse finished marginally higher after unsteady tone earlier in week.								
Netherlands	CBS TtRtnGen	1146.2	1124.1	1126.8	1184.60 7/8	739.80 2/1	1.98	24.3
	CBS All Shr	657.7	645.0	646.6	684.40 7/8	429.88 2/1		
Market put in top performance in Europe, thanks to strong gains for heavyweights ABN Amro and KLM.								
New Zealand	Cap. 40	2593.58	2575.26	2575.09	2593.58 3/10	2207.48 1/4	4.08	20
Shares rose to a post-crash record on the back of strong gains in Telecom and Carter Holt Harvey.								
Nigeria	SE All-Share	7047.11	(u)	7053.26	– –	– –	na	na
Upturn elsewhere eluded market, leaving shares to continue on their downward path.								
Norway	Oslo SE Ind	2222.37	2197.12	2187.83	2222.37 3/10	1639.03 2/1	1.77	15.3
Continuing demand for oil and offshore-related stocks helped market to record high.								
Pakistan	Karachi SE	1858.81	1852.14	1855.85	2036.96 28/7	1341.31 7/1	na	na
Brokers said rises in Hub Power's GDRs abroad helped to generate bullish mood.								
Peru	Lima Gen	2039.59	2049.53	2016.03	2269.40 10/7	1429.70 2/1	na	na
Market rose 1 per cent at midsession but fell back on profit-taking. Telefónica del Peru lower after recent gains.								
Philippines	Manila Comp	2629.67	2031.47	2057.62	3447.60 3/2	1868.41 2/9	1.25	12.5
Banks remained under pressure as rumours of loan defaults persisted. Metrobank fell sharply on day's top turnover.								
Poland	WIG	17524.1	17559.5	17534.4	18339.40 18/2	14421.80 6/1	1.35	12.2
Weak trend forecast to continue this week during formation of new cabinet and public offering of PKB.								
Portugal	BVL 30	3698.61	3664.42	3640.57	3698.61 3/10	2165.57 2/1	1.63	26.4
	PSI 20	8603.42	8553.34	8497.15	8603.42 3/10	5152.34 2/1		
Gains in utility group EDP helped market ahead. Against trend, Portugal Telecom traded lower.								
Russia	RTS	552.14	525.73	503.96	569.23 8/8	213.38 6/1	na	na
Shares soared 5 per cent in record turnover on news of lower refinancing rates.								
Singapore	SES All-S'pore	463.09	469.54	471.43	573.03 17/2	437.04 2/9	1.92	15.8
	Straits Times	1902.04	1927.80	1941.74	2271.88 20/1	1786.44 1/9		
Dealers said institutions mostly sidelined in spite of some respite from regional currency volatility.								
Slovakia	SAX	176.39	174.61	174.85	208.84 21/3	164.81 22/7	na	na
Broad market higher led by gains in steelmaker VSZ and oil refiner Slovnaft.								
South Africa	JSE Gold	1042.1♥	1060.9	1074.4	1588.10 27/2	873.20 23/9	2.63	14.7
	JSE Indl.	8767.4♥	8701.9	8652.2	9314.20 7/8	7859.50 3/1		
US data helped shares to close higher after volatile session.								
South Korea	KoreaCmpEx**	(c)	636.65	644.92	792.29 17/6	611.05 7/1	2.19	14.9
Market closed for the National Foundation Day.								
Spain	Madrid SE	633.62	634.02	640.20	640.29 1/10	434.54 2/1	2.26	21.1
Foreign selling left Telefónica lower and broad market a touch easier.								
Sri Lanka	CSE All Share	777.70	775.80	776.80	869.78 31/7	686.70 2/1	na	na
Brokers said renewed foreign buying encouraged locals to look at the secondary market rather than the impending IPOs.								
Sweden	AffarsvarldsGen	3279.7	3263.8	3272.4	3318.80 7/8	2378.50 2/1	1.73	23.1
New York lifted shares at end of choppy session.								
Switzerland	SMI Index	5929.0	5825.0	5754.7	6012.80 8/7	3922.90 7/1	1.18	22.8
	SPI General	3770.16	3713.90	3675.46	3778.16 3/10	2606.22 6/1		
Market posted third consecutive daily rise of more than 1 per cent.								
Taiwan	WeightedPr.**	8637.18	8504.68	8885.02	10116.84 26/8	6844.75 6/1	0.95	33.2
Shares reversed sharp early losses to close slightly firmer as electronic shares surged and property shares stabilised.								
Thailand	Bangkok SET	548.37	550.86	547.80	858.97 23/1	464.77 19/6	4.72	11.2
Stocks overshadowed by the likelihood of a limited cabinet reshuffle and concerns about the October 15 financial package.								
Turkey	IMKB Nat. 100	2752.00	2697.00	2584.00	2762.08 3/10	986.80 2/1	2.07	18.1
Month-long rally continued, taking shares to all-time high, amid optimism over economy and nine-month company results.								
Venezuela	IBC	10592.06	10522.26	10515.93	10817.13 23/9	6081.99 12/3	na	na
Shares rose strongly on back of Wall Street but came off highs. Heavy trade in Mavesa on technical adjustment.								
Zimbabwe	ZSE Industrial	(u)	(u)	9789.85	12061.95 5/8	8839.60 2/1	na	na
Stocks ended week softer in directionless trade.								
WORLD	FT/S&P World(§)	266.16	264.87	264.21	267.21 31/7	216.61 14/4	na	na
	MS Capital Intl$	978.4*	970.6	968.8	981.89 31/7	794.50 14/4	na	na
CROSS-BORDER	Eurotrack 100	2761.96	2761.92	2718.16	2794.80 7/8	1893.80 2/1	na	na
	FTSE E100	2351.23	2334.93	2339.93	2355.85 7/8	1582.99 2/1	na	na
	HSBC JC Drgn	(u)	364.20	364.57	434.83 8/8	348.31 1/9	na	na
	ING Barings Emrg	176.75	176.00	174.43	198.81 9/7	169.74 3/1	na	na

** Sat Sept 27: Taiwan Weighted Price 8719.00; Korea Comp Ex 629.42. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Oct 2 - 4268.17 +3.18. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. ✠ Yields and P/E ratios are based on Datastream Total Market Indices. ♣ Midsession.

NASDAQ NATIONAL MARKET

4 pm close October 3

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
ACC Corp		86	720	33	32¼	32¾	+¼
Acclaim E			1465	5⅝	5⅜	5⅜	−⅛
Acxiom Cp		38	1707	19¼	18½	19¼	+⅛
Adaptech		84	14211	50¾	49½	50½	+1½
ADCTel		45	29622	36	34¾	35¾	+1⅛
AdeccoADR	0.37	44	13	50⅝	49⅞	50⅛	
AdobeS x	0.20	22	9599	50¾	49¼	49½	−⅛
Adv Polym			1419	8⅛	7⅞	8	
AdvTchLab		32	591	47¼	46⅞	46⅞	−⅛
AeroqA	0.44	20	14627	34¼	29½	34	+4⅝
Advanta	0.52	19	6790	32⅝	27⅞	32¼	+4⅝
AirExpr	0.20	26	708	36⅞	33½	34½	−1¼
Alco ADR	1.53	16	806	u60⅞	59⅞	60	+2½
AbdRd	0.88	15	506	27⅞	27⅜	27⅝	−⅛
AllCom x	0.88	18	1816	u25	24¾	24⅞	+⅛
Alex Org	0.56	16	20	40⅞	40⅝	40⅞	
AllPharm			887	11¼	11⅛	11¼	+⅛
AlldCapH	1.64	20	229	22¼	21½	22⅛	−⅛
Alld Cap	1.76	10	169	u18	17⅞	17¾	−⅛
Aleatm C		7	11	2⅞	2⅞	2⅞	
Alta Gold		42	1419	2⅝	2½	2⅝	−⅛
Altera♣		39	43156	54⅝	49½	53⅝	+5
AmClay		9	469	17⅞	17⅞	17½	
Am Mangt		58	2522	19¼	18⅞	18¾	−¼
Am Softwar		67	1800	14⅝	14	14¼	−⅛
Am Frwys		47	591	u19⅞	19⅞	19⅞	−⅛
AmBnkA	0.72	14	3105	38⅞	35¾	38⅞	−½
AmtrP			32421	6½	5¼	6⅛	+⅞
Amtitle	2.80	10	5	102¾	101½	102⅜	+1
AmPwCv♣		25	6606	28¼	27½	28⅞	+1⅞
Amgen Inc		17	30760	48	46⅞	46⅞	−⅛
Amtech Cp			98	4⅞	4⅛	4⅞	+⅛
Analogic	0.28	23	108	36⅞	35¾	36¾	−⅛
Analysts	0.36	40	375	u45	41½	43⅞	+2⅝
AnangelAm	3.00	14	974	u12⅝	11⅞	12½	+⅝
Andrew Cp		23	7246	27⅝	26⅞	27⅝	+⅛
Apogee En	0.18	34	1271	25	24½	25	+⅛
ApplMat		46	49663	99⅝	97¼	97⅞	+1⅞
AppleC			14456	22¼	21⅞	22⅛	+⅛
Applebees	0.07	17	3604	24⅞	24⅞	24⅜	+⅛
Arbor Dr x	0.24	27	1837	22⅝	22⅞	22⅛	+⅛
ArcCat	0.24	15	222	12⅞	12¼	12¼	+¼
Argonaut	1.64		620	u39⅝	34⅞	38¾	+⅛
ArkBstGel			1963	12¼	11¾	12	−⅛
Arnold In	0.44	21	418	24¼	23⅜	24⅛	+⅛
Arqule			1870	u27¼	25	25¼	
ArtisoR			1419	3⅛	2⅞	2⅞	−⅛
AscendCom			59019	33⅞	32⅞	32⅞	−⅛
AspectTel		28	1483	22⅝	22¼	22⅝	+⅛
Astrosys	2.00	8	20	3⅞	3⅞	3⅞	+⅛
Atmel		20	14087	35½	34¾	35¼	−⅛
AuraSys			6903	2⅞	2½	2⅞	+⅛
Autotak	0.24		31525	u50⅞	47	50	+3⅝
Autolab			287	1⅞	1⅞	1⅞	−
Avondale		16	2232	27⅞	26½	27	+⅛
BEI B	0.09	38	377	u16⅞	16¼	16½	+⅛
Baker J	0.06		93	9½	9¼	9⅜	−⅛
Baldwin B	0.40	12	39	20⅞	20⅞	20⅞	
BallyTF			1016	19⅞	18	18	−1
Bancorp		14	726	28⅞	28⅝	28⅞	+⅛
Banknorth	1.16	15	279	u57	56	56¼	+¼
Banta Corp	0.48	16	2799	28¼	27⅞	28¼	−⅛
Basic		15	20	39⅞	39⅞	39⅞	
Basset F	0.80		189	28⅝	28	28	−½
BayNtwk♣	0.32	30	736	28½	27½	28⅞	+⅛
BE Aero		30	3456	36	35⅛	35⅞	−1½
BeautiCos x	0.42	11	81	9	8⅝	8⅞	−⅛
BedBath		75	247	13¼	12⅞	13⅛	+⅛
BerkleyWR	0.44	14	1522	u49⅞	43¼	44¼	−½
BHA Grp	0.12	16	419	18½	18⅛	18½	+1⅛
BI Inc		32	341	8⅝	8⅛	8⅜	+⅛
Biogen		27	6738	34	33	33⅜	+⅛
Biomet	0.11	24	5280	26½	24⅞	24⅞	
Black Dog	1.24	122	12	49	48¾	49	+⅛
BMC Softw		58	12814	67¼	64⅞	66⅞	+2⅜
Bob Evans	0.32	21	997	u19½	19⅛	19⅜	+⅛
Boole & B		33	36	29	28⅞	28⅞	−⅛
Borland			2779	10⅞	10¼	10⅛	−⅛
BradyWH A x	0.60	21	82	u31¼	31	31	−¼
BRC Hldgs			83	38	37⅞	38	
BSB Bncp	0.80	14	89	28½	28	28¼	+¼
Buffets			8971	11¼	11	11⅛	+⅛
BuildersT			39	3½	3	3½	+⅛
Burr Brwn		33	1050	36	35	35⅞	−⅞
ButlerMfg	0.58	7	20	35¾	35¼	35¾	
C Tec		38	6808	u17⅞	16⅞	17½	+¼
CadenceCom	0.29	33	67	21	20½	20⅞	+¼
Caere Cp			731	8⅞	8⅛	8⅛	−⅛
Cal Micro		128	1030	20⅞	20⅞	20½	−⅛
Cambrex		150	134	6⅞	5⅞	6	
Canfles		22	1032	7⅞	7½	7⅞	+⅛
Canon Inc x	0.58	32	74	149½	147⅞	149	+¼
CarlisleCom	0.64	17	844	44⅞	43½	43½	+⅛
Casey S	0.12	22	487	25	24¾	24⅞	−⅛
Calgene			1891	11⅞	11½	11⅝	+¼
CEM Cp		19	29	10¼	10	10	−⅛
Centocor		325	7459	50	46½	49⅞	−⅛
CFedBk	0.96	23	4341	u47⅞	45¼	45⅝	−⅛
Cntrl Spr		15	106	21½	20⅞	21¼	+⅛
Chandler			20	5	5	5	
Chapter 1	1.00	21	7623	u64	62⅞	63¾	+⅞
ChrmSh			2051	6½	5⅞	6⅛	+⅛
CheckTech			868	1⅞	1⅝	1⅝	+
Chiron Cp		87	6639	22⅞	21¾	22⅛	+⅛
CinnFin x	1.64	18	983	u85⅞	84¾	84⅞	+⅛
Cintas Cp	0.30	37	888	74¼	73⅞	74¼	+⅛
Cirrl	0.27	20	1107	u34	30½	30½	−1⅞
Cirrus		233	2479	16⅞	15⅞	16⅛	+⅛
CitrsLg♣			10500	14⅞	14⅛	14⅞	+⅝
CiscoSys		51	139148	79	77	79½	+2⅞
Clean Hbr			33	1⅞	1⅞	1⅞	−⅛
CocaColaB	1.00	34	28	58	57½	57⅞	−⅛
Cognex Cp		60	8125	34⅝	33¼	34⅝	+⅛
Cognos		28	12234	22¼	22⅞	22¼	+⅛
Coherent		23	773	u58	55	56	−1½
Collagen	0.20	22	159	18⅞	18	18⅞	+⅛
Cmrcl Bcs	1.34	12	20	24¼	24⅛	24¼	
Comair	0.24	15	1876	27⅜	26⅞	27¼	−⅛
ComcstA	0.09		2264	u26⅜	25⅞	25⅞	−⅛
ComcstASp	0.09		22810	u26⅞	25⅞	25⅞	−⅛
CommBkshs	0.82	17	153	58¼	57½	58¼	+⅛
CommsC			2274	34⅞	34⅝	34⅞	+⅛
Compuserve			6112	u14⅞	13⅞	13⅞	−⅛
Comshare			798	8⅞	8	8	−⅛
Comverse			38	4⅞	4⅝	4⅝	−⅛
Coors(A)	0.60	17	960	38¼	37⅞	38	
Copytele			1120	5⅞	5⅛	5⅞	+⅛
CoreStBsh x	0.54	13	198	u39⅞	38⅞	38	+1⅛
Costco		33	11494	39⅞	38⅞	39⅞	+⅛
CoventryCp		7	2388	17⅞	16½	16⅞	−⅛
Cracker B	0.02	22	2469	32⅝	31⅞	32	−⅛
CredTeca		13	14639	27⅝	25⅞	25½	−1⅛
Crown Res			113	6⅞	6⅛	6⅝	+⅛
Cuno		30	339	18¼	17⅞	18⅛	+⅛
Cybergd			475	9⅞	9⅝	9½	−⅛
Cytic			4276	33⅞	33	33¾	
Cytogen			2169	3⅞	3¼	3¾	−⅛
DSC Cm			27943	30⅝	29	29⅞	−⅛
Dart Grp	0.13		14	107½	105¾	107	+1⅞
Datatlex			144	3⅞	3⅞	3⅞	+⅛
Datascope		25	910	22⅝	22	22⅛	
Deb Shops	0.20		95	5⅞	5⅞	5⅞	
Dekalb	0.44	26	62	29½	28⅞	29⅛	−⅛
DellCmp		40	54880	u102¼	98½	99⅞	
Dentsply x	0.41	22	169	57½	57	57⅛	−⅛
Devcon			80	5	4⅞	4⅞	
DH Tech		350	20	17½	17½	17½	
Digi Intl			592	14⅞	14⅛	14¼	+⅛
Dig Micro		51	3626	48⅞	47	47	−1
Dig Sound			437	1⅞	1½	1⅞	−⅛
Dionex Cp		26	44	54⅞	53	54	+1
Dixie Ym			218	14⅞	13⅞	14	+⅛
Dollar Gn	0.16	38	3633	35½	34⅞	34⅞	+1⅞
Dorch Htn x	0.72	28	187	18½	18	18	
DressBarn		39	20	60⅞	60⅛	60⅛	
DressBarn		18	1119	25	24⅞	24¾	+⅛
Drey SD x	0.24	512	7	52	51	51¼	−⅛
Drug Emp		49	572	4½	4⅛	4⅞	+⅛
Eagle Fd		13	150	6½	5⅞	6⅛	−⅛
EastEnvrmt		172	532	25⅞	24	24⅞	−⅛
ECI Tel	0.20	21	1643	33⅞	32⅞	32¼	−⅛
Egghead			17016	u10¼	9⅞	10⅞	+⅛
ElectSci		47	975	u63⅞	62	62⅞	+1⅛
ElectroB	1.27	15	715	84⅞	82⅞	84⅞	+2⅞
ElectArts		39	38239	u40¼	37⅞	39¼	+1⅛
Emcon Ass			242	6⅞	6⅛	6⅞	+⅛
Emulex		72	1267	18¼	17⅛	18	+⅞
Encore			7877	u5⅞	4⅞	5⅞	+⅞
EquityOil			427	3⅞	3¼	3⅞	−⅛
ERO Waste		0	20	⅞	⅞	⅞	
EricsnB	0.28	52	10405	49¼	48⅞	49⅞	+⅞
Estel			490	5⅞	4⅞	5⅛	+½
Evans Sth		26	12	33	32⅝	32⅝	−½
Exabyte		63	1473	11	10⅛	10⅞	
Excalibur			830	12¼	12¼	12½	+¼
ExideElec		68	618	23⅝	22⅞	22⅞	
Expedit I	0.16	39	1117	47½	43½	44¼	−⅞
ExpressAm		18	494	11	10½	11	+½
Fall Grp		86	184	8⅞	7⅞	8⅞	+⅛
Farr Co		15	118	18½	17¼	18	+¼
Fastenal	0.02	56	1983	53½	53⅛	54	−⅛
FifthThd x	0.88	28	3355	u68⅞	66⅞	67¼	−⅛
Figgie A		5	1999	u15⅞	14⅞	14⅞	
Filenet			66161	28	21⅞	22¾	+6½
First Am	0.80	21	3320	48¼	47⅞	47⅞	−¼
FstSec	0.68	18	2476	32⅞	30⅞	31⅞	+⅛
FstTenn	1.20	20	2085	u59	58	58⅞	+⅛
Fstmerit	0.64	23	381	u28¼	27½	27⅝	−⅛
Fiserv		34	1542	47⅞	46¾	47¼	+⅛
Flow Int		217	210	11¼	10⅞	10⅞	−⅛
FlaDeGIl		26	181	u9⅞	8⅞	9⅛	+⅛
FoodLA x	0.13	24	7024	8¼	8⅜	8⅞	+⅛
FoodLB x	0.13	23	1101	8⅝	8⅜	8⅞	+⅛
FOREsy		55	21514	19⅞	18⅞	19	−⅛
Foster A		12	183	5⅞	5¼	5¼	−⅛
Frit Fld	0.80	24	1189	38	35¼	35¼	+⅛
Frt Hawd	1.24	15	1155	u40⅞	40⅞	40⅞	+⅛
Fuller HB	0.74	18	1589	52⅞	51½	51¼	+⅛
FultonFin x	0.88	18	355	29⅞	29⅞	29⅞	−⅛
G II App			205	5⅞	5⅝	5⅞	−⅛
G&K Serv x	0.07	24	173	35	34¼	34⅞	−⅛
Gardera			1120	3⅛	2⅞	2⅞	−⅛
Garnet Re			387	⅞	⅞	⅞	+⅛
Gasl Co		14	1469	u24⅞	22⅝	23⅞	+1⅛
Genl Bind	0.44	17	29	30⅜	30	30	−½
Genlyte		15	864	u19⅞	18⅞	19½	+1
GenesisPh			2184	8½	6⅞	8⅛	+⅞
Genta		38	2171	24⅞	24	24	+⅛
Genus Inc			389	6⅞	6½	6⅞	−⅛
Genzyme♣			13316	31⅞	30⅞	31⅞	+1⅛
Geotek Cm			5947	4⅞	3⅞	4	−⅛
Gibson Gt		18	882	25⅞	25	25½	+⅛
GiddLogi	0.12		20	20⅛	20⅛	20⅛	
Gish Biom			39	5	4⅞	4⅞	
GoldSys			653	11¼	11	11⅛	
Good Guys			150	7⅞	7	7	−⅛
BradeyCo	0.86	18	186	9⅞	9⅛	9⅞	−⅛
Green AP	0.16	25	20	14	14	14	
Greenmnt			20			d	
GT Corp			752	6⅞	6⅞	6⅞	−⅛
Gymboree		20	3497	25⅞	25⅞	25⅞	−⅛
HarbgLsr		15	108	9⅞	9⅝	9½	−⅛
Harleysvl	0.92	15	178	43½	42⅞	43⅞	+⅛
HBO & Co x	0.06	54	19639	41¼	39⅞	40⅞	+1⅞
Healthcor		25	2121	63½	61⅞	62⅞	−⅛
Healthso		15	2165	13½	13	13½	+⅛
Heartld		39	53	18⅞	18⅞	18⅞	−⅛
Hechinger			20	2⅞	2⅛	2⅞	
Helelnj		11	12	11⅞	11	11⅛	+⅛
HelenTroy		26	1962	19¼	17	17⅞	−1⅞
Herbl	0.80	16	1125	27⅞	26½	26½	−⅛
Hologic		24	1844	29	28⅞	28½	−⅛
Hon Inds	0.56	24	578	63⅞	60	62	+1
Hunt JB	0.20	40	1043	18¼	16⅞	18	−⅞
HuntBncsh	0.80	21	6101	u38¼	37⅛	37⅝	
Hurco Co		10	70	8⅞	8¼	8⅞	+⅛
HutchTech		14	3754	34½	33⅞	34⅞	+⅞
Hybridon			3422	1⅞	1⅞	1⅞	−⅛
HyperBio♣			74	2⅞	2⅞	2⅞	
IFR Sys	0.05	27	271	32⅞	32	32	−⅛
IIS Intel			70	1⅞	1⅞	1⅞	
Immucor		45	221	10	9⅞	10	+⅛
Inf Res			407	17⅞	17½	17½	−⅛
Informix			25034	7⅞	6⅞	7⅞	+⅛
IngleslMkt x	0.66	13	482	14⅞	14½	14⅞	+⅛
IntegDev			6873	11⅞	11⅛	11⅞	+⅛
IntegSys		159	2218	24⅞	23⅞	23⅞	−⅛
Intel	0.12	24	110889	94⅞	92⅞	93⅞	+⅛
IntgrtEl			1461	4⅞	4⅞	4⅞	+⅛
Inter Tel	0.01	71	1126	51¼	49¼	50⅛	+¼
InterlkA	0.26	21	555	30⅛	29⅝	29⅞	−⅛
Intgph			1850	11⅞	10⅞	11	−⅛
Intrleaf			458	2⅞	2⅞	2⅞	−⅛
Intervive			2032	15½	15	15⅞	−⅛
Intvoice		23	1283	10⅞	10	10⅞	
IntDairyQA		14	130	24¼	23½	24⅛	+⅛
Isomedix x	0.05	17	838	24⅛	23⅞	23⅞	+⅛
ItoYokado x	0.87	35	86	214⅞	214⅞	214⅞	+1⅞
J&J Snack		21	41	16⅞	16¼	16⅞	+⅛
Jacor Inc		18	128	u8⅞	8	8½	−⅛
JefSmrfA♣			41	u17½	16⅞	17	+½
Jones Int			3330	u13⅞	13¼	13⅞	+⅛
Jones Med	0.16	30	4116	32	30½	31¼	+1¼
JSB Fin	1.40	17	10	47⅞	47⅞	47⅞	
Juno Ltg x	0.32	18	827	18	17½	18	+⅛
Justin x	0.20	16	456	14	13⅞	13¾	−⅛
K Swiss x	0.08	101	8	17¼	17	17¼	+¼
Kaman Cp x	0.44	28	482	18	17¼	17⅞	−⅛
Kelly Sv	0.86	17	908	35¼	34⅞	35	−⅛
Kimball x	1.15	15	274	42⅛	41¼	42¼	+⅛
KLA-Tn		54	24888	69¼	65⅞	67⅞	+1⅞
Koll A			20	12¼	12¼	12¼	
Komag♣		19	4875	20½	19⅞	19⅞	−⅛
Kulicke♣			16602	46¼	45⅞	47⅛	+1⅞
LaddFurn		25	111	18¼	17⅞	18	+¼
Lam Rsch			18153	47⅞	44⅞	45⅞	−⅛
Lancaster	0.76	17	270	54	53⅞	53⅞	−⅛
Lance♣	0.96	24	234	22⅞	21⅞	21⅞	+¼
Landdpties			59	6⅛	6	6	
Laser Ind		14	199	18	17⅞	17⅞	−½
Laserscope		25	298	6⅞	6⅞	6⅞	−⅛
Lattice S		39	27490	65	59	62⅞	−⅞
Lawson Pr x	0.58	15	759	32	29¼	29½	−1⅛
Lechters		98	2469	5⅛	4⅞	4⅞	+⅛
Life Tech x	0.20	28	434	u33¼	32¼	33	+½
Lilian		26	209	19½	18⅞	19¼	−⅛
Lindsay	0.14	22	15	u44⅞	43⅞	43⅞	
LinearTec	0.24	38	8172	68⅞	65½	68⅞	−1¼
LiquiBox x	0.52	15	3	u39	38	38	−1
LoeSirStk		12	3433	21	20¼	20¼	−⅞
Lone Star		28	20	48⅞	48⅞	48⅞	
LTX Cp			6642	7⅞	7⅞	7⅞	+⅛
LVMH	0.85	26	200	43½	42½	42⅞	+½
MCI Cm	0.05	21	117014	37⅞	36¼	36⅞	−⅛
MS Car's		22	577	27⅞	26½	26½	−⅛
Mac NW	0.20	8	1604	14½	14¼	14⅞	+⅛
Madge♣		9	1440	7⅞	7⅝	7½	−⅛
Mail Box		28	327	28⅞	28	28⅞	−⅛
Magics			1198	12⅞	12¼	12¼	−⅛
Marten Dr		41	20380	u33	30⅞	32⅞	+1⅞
MercBankA	0.44	13	23	u16¼	15⅞	15⅞	−⅛
Mdll	0.88	22	541	52¼	51⅞	51⅞	+⅛
Maxis H			1448	6¼	6⅞	6⅞	−⅛
Maxim Int		38	8816	71⅞	70¼	71⅞	+1½
McGrath R	0.32	18	125	24⅞	23⅞	24⅛	
McCormkNV x	0.80	20	3327	25⅞	25	25½	+⅛
Medarex		27	335	u16½	16	16⅞	+⅛
Mentor Cp x	0.10	39	1638	33½	31⅞	33	+1
MentrG		46	3913	12½	12⅛	12⅛	−⅛
MercntlB	0.80	18	515	32⅞	32⅞	33	
Mercnt	0.03	11	359	11⅛	10⅛	10⅞	
Merisel			1217	4⅞	4⅞	4⅞	
Mesa Air		50	1612	6⅞	5⅞	6⅞	−⅛
MethodeA♣	0.20	23	834	26⅞	25¼	25¼	−⅛
Micrognb		20	563	28⅞	27⅞	27⅞	−½
Microbu			3072	7⅞	6⅞	7⅞	+⅛
Micsft		51	75287	136¼	133⅞	134⅞	+1⅞
Mid Atl M			664	16⅞	15⅞	16	
Millergen		1400	440	14⅞	13⅞	14	
Miller H x	0.29	33	9165	53⅞	51⅝	52⅞	−⅛
Millipore			3466	52½	52	52¼	
MineSfty	1.24	13	10	71½	69⅞	71¼	+1¼
MiniachH	0.10	29	804	11¼	11¼	11⅞	+⅛
MobileTel			5370	19⅞	19¼	19⅞	+⅛
Modern Co	0.20	18	89	9⅞	9⅞	9⅞	+⅛
Modine Mf	0.76	16	259	u35⅞	34⅞	35	
MolexA x	0.06	31	1677	41⅞	40	41⅞	+1⅞
Molex x	0.06	34	1351	u45⅞	44⅞	45¼	+1⅛
Moscom			1695	7¼	6⅞	7⅞	+⅛
MotrwCp♣	0.36	17	732	33¼	32	33½	+1⅛
MTS Sys	0.40	18	188	36½	35⅞	35⅞	+1⅛
Mycogen♣			111	23⅞	23¼	23⅞	−⅛
Nash Finch	0.72	13	124	24⅞	23⅞	24¼	
Nat Compt	0.96	35	818	u36¼	35⅞	36	+⅛
Natn Sun	0.13	25	239	u24⅞	23⅞	24⅞	+½
Navigator		11	19	22⅞	21¼	21¼	−½
NEC x	0.40	29	176	61⅞	60⅞	61⅞	−⅛
Netscp			15366	38¼	36⅛	38½	+⅛
NetwkGen		33	8652	20⅞	19⅞	20⅞	+¼
Nexmgn♣		273	387	u27⅞	26⅞	27⅞	+⅛
Newpal Cp	0.04	25	215	15⅞	15⅞	15⅞	−⅛
NextelCmA			26085	28	27⅞	27⅞	+1⅛
Nordsn	0.80	21	219	59⅞	57½	57½	−⅞
Nrthrn	0.56	29	10627	64¼	61⅞	61⅞	−2¼
Noodles		20	130	23⅞	23	23	−⅛
NthnTrst♣	0.72	25	3128	62	60⅞	60⅞	−½
NW Air		8	3636	43⅞	42½	43⅞	+¼
Novell		108	17352	9	8½	8⅞	+⅛
Novellus♣			9083	125¼	122⅞	124⅞	+⅛
NPC Int		18	8	u12⅞	12⅞	12⅞	+⅛
NSC Corp		19	7	2⅞	2⅞	2⅞	−⅛
NTL Inc			332	26⅞	25⅞	26⅞	−⅛
OCharleys		8	38	17	16⅞	16⅞	−⅛
OshkoshA		39	2008	19⅞	18⅞	18⅞	+¼
OffshLg		17	2441	19¼	18⅞	19⅞	−¼
Oglebay N	1.60	9	3	u80¼	59⅞	59⅞	
OhioCa	1.68	11	1694	u48¼	47½	48⅞	+⅛
OldKent	1.36	17	1102	65⅞	64⅞	64⅞	−⅛
Old NatB	0.82	19	12	45	44⅞	44⅞	+⅛
Onbancorp	1.28	16	808	u61⅞	59½	60½	+¼
One Price			109	2⅞	3⅞	3⅞	
Oracle		41	54316	37¼	36⅞	36⅞	+⅛
Orb Sci		39	2724	24¼	24⅞	24⅞	+⅛
Orbotech		28	1316	57	53⅞	53⅞	−2⅛
OregMet		12	880	24⅞	24⅞	24⅛	−⅛
Ortho			587	14½	13¼	14⅞	+⅞
Oshap		96	1079	u11⅞	11	11⅞	+½

NASDAQ NATIONAL MARKET

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
OakHillSpA	0.28	29	127	27¼	26⅞	27¼	+¼
Oshkosh T	0.50	26	4	16⅞	16	16	
OtterTail	1.86	13	49	34	33⅞	34	+⅛
OxfordHlth		48	23698	74⅞	71¼	73⅞	+2½
Paccar	2.16	18	2631	u58¼	53½	58⅞	+1⅞
PacDunlop	0.24	67	149	11½	11⅞	11⅞	+⅛
PHMA		27	275	66⅞	66	66	+⅛
PHBG		27	3646	67⅞	67	67⅞	+1⅛
PacsmT		45	37054	49¼	44⅞	47⅞	+3⅛
Paychex♣	0.36	51	7084	39½	38⅞	39⅞	−⅛
Peerless	0.50	33	5	12⅞	12⅞	12⅞	−⅛
Penn Trty		18	112	34¼	33⅞	34¼	+⅞
Penn Virg	0.90	17	20	29⅞	29⅞	29⅞	
Pentech I			9	2⅞	2⅞	2⅞	
Penwest L	0.20	41	13	39¼	35⅞	35¼	−⅞
PeopBnkCt	0.68	23	1243	u33	32⅞	32½	+⅛
Peoples H	0.76	17	536	42⅞	41¼	41½	
PeopleSoft		124	31800	57⅞	54⅞	54⅞	−1½
Perrigo		27	3889	16⅞	15⅞	16	−½
PETsMART♣		208	10996	10⅞	10⅞	10⅞	−⅛
PharmDev		46	1479	20⅞	20¼	20⅞	+⅛
PhoenxTch		27	659	15½	14⅞	15⅞	+⅛
Picturetel		20	3585	11⅞	10¼	10⅞	−½
PioneerGp	0.49	35	384	31⅞	30⅞	30⅞	−⅛
PionStd♣	0.12	16	229	17⅞	17	17⅛	+⅛
Pixar		39	2370	24	23⅞	23⅞	+⅛
PLDTel		11	3559	u9⅞	9⅛	9⅞	−⅛
Pocahk	0.68	9	179	21	20⅞	20⅞	+⅛
Powell		15	20	18⅞	18⅞	18⅞	+⅛
Pres Life	0.24	15	158	19⅞	18⅞	19⅞	+⅛
Presstek		121	2169	39⅞	37½	38⅞	+⅛
PridePt♣		18	20	u36⅞	36⅞	36⅞	
Printrnd		23	407	19⅞	19⅛	19⅞	+⅛
Qualcomm		69	19068	64⅞	62	64½	+3⅛
Qual Food		21	20	39	39	39	
Quantum		20	25236	39	36¼	37⅞	−⅞
Quickrlv		22	978	u39½	38¼	39	+1
Quintiles		183	2895	83⅞	80⅞	80⅞	−2⅛
Rainbow♣		20	871	u28½	25	26	+⅛
Rallys			125	3⅞	3	3⅞	
RCSB Fn	0.60	20	1438	u56⅞	56½	56⅞	+⅛
Read-Rite		23	11593	24⅞	22⅞	23⅞	−⅛
Recoton		22	174	15⅞	14⅞	15	+⅛
RegFinCp	0.80	19	2922	u40⅞	39⅞	39⅞	−1⅛
Repligen			227	1⅞	1⅞	1⅞	−⅛
Rexsound			171	5⅞	5⅞	5⅞	−⅛
Reuters	1.25	28	4519	75⅞	73⅞	74⅞	+⅞
RoadwyExpr	0.20	16	2586	27⅞	25⅞	27½	+1⅞
RoNgnl	0.12	12	60	5⅞	5⅞	5⅞	+⅛
Ross Str x	0.18	18	3808	u38⅞	37	37	−⅛
RotechMed		18	1903	19⅞	19	19⅞	+⅛
RoyalGold		32	89	8⅞	8⅞	8⅞	
RPM Inc	0.52	20	1234	20⅞	20½	20⅞	+¼
Ryan Fmly		11	1037	9⅞	9⅞	9⅞	+
Safeco	1.28	16	2197	52⅞	51½	52	+⅛
StPaulCosA	0.40		85	12⅞	12¼	12½	+¼
Sanderson x	0.20	108	126	15⅞	15	15¼	+¼
SchmbgA	0.42	18	1498	22	21⅞	21½	−⅛
Scios			4325	u10	9⅞	9⅞	+⅛
SciLex Cp	0.92	2	421	13⅞	13⅞	13⅞	−⅛
Score Brd			156	⅞	⅞	⅞	+⅛
Seafield	1.20		20	24¼	24¼	24¼	
SEI Inv♣	0.28	30	502	u35⅞	34½	35¼	+⅞
SelbstBr		9	818	8⅞	8	8⅞	
Selnv♣	1.12	11	108	53½	53	53¼	+⅛
Sequent		69	10522	28	24⅞	25⅞	+½
Sequoia			422	3⅞	3⅞	3⅞	+⅛
Sevenson	0.22	20	20	21½	21½	21½	
ShTelFar			2351	12¼	11⅞	12⅞	+⅛
Shorewood		20	222	u24½	24⅞	24½	+⅛
Showbiz P		24	5243	24⅞	24	24⅞	+⅛
SigmAl	0.25	22	3390	35⅞	34⅞	34⅞	+⅛
SigmaDes			3542	8⅞	8	8⅞	−⅛
SilcnGc		24	73	58⅞	59⅞	59⅞	−⅛
SilcnVIG		216	2577	36⅞	34⅞	34⅞	−⅛
Simpson	0.40	12	828	12⅞	11⅞	12⅞	+⅛
SmEnT			165	⅞	⅞	⅞	+
Smithfld		25	2329	u33⅞	32⅞	33	+½
Smst	1.00	17	1599	51½	50⅞	51⅞	+⅛
Spiegel A			394	7⅞	7	7⅛	−⅛
Spyglass			887	9⅞	9½	9⅞	
St Paul Bc	0.40	19	1279	u25⅞	25⅞	25⅞	−½
Staples		46	8385	u28⅞	28	28⅞	+⅛
Starbucks		65	24520	38⅞	36⅞	38⅞	−1⅛
Std Micro			4988	17⅞	16⅞	16⅞	−⅛
Steel Tec	0.10	15	169	12⅞	12⅞	12⅞	+⅛
StolyUSA			333	⅞	⅞	⅞	−
SlatN	0.50	13	821	u27⅞	27⅛	27⅞	+⅛
StrucDyn♣		45	3355	25⅞	23⅞	23⅞	−⅞
SulfurGr	0.39	25	434	26	25⅞	25½	−⅛
SumitomoB x	0.80	19	52	48⅞	43⅞	43⅞	−4⅞
Summit Te			2438	7⅞	7⅞	7½	+⅛
SunMic		26	78111	47¼	45⅞	46⅞	+1⅛
Swift Tm		24	1028	31⅞	30⅞	31⅞	+⅛
Sybase Inc			36654	20⅞	19⅞	20⅞	+1¼
Symantec		22	22452	23½	22⅞	23⅞	+1⅛
Synalloy	0.36	23	75	17	16⅞	16⅞	+⅛
Synetic		66	283	41⅞	40¼	41⅞	+⅛
SystemSoft	0.10		8692	15⅞	15	15½	+⅛
Systemsco		39	2659	45⅞	45	45⅞	
T-Cell Sc			1098	2	1⅞	1⅞	−⅛
T.Rowe Pr x	0.52	37	3835	u68⅞	67⅞	68⅞	+1⅞
TBC Cp		14	339	u10	9⅞	10	
TCA Cable x	0.64	29	3232	39⅞	39¼	39⅞	
TCI GpA			47572	22	21⅞	21⅞	+⅛
TechData		28	3376	49¼	46⅞	47⅞	+1¼
Tecumseh	1.60	10	523	55⅞	55⅞	55⅞	−1¼
Telebo		118	4737	36¼	33⅞	36¼	+2⅞
Telco Sys			1704	16⅞	17⅞	18⅞	+1⅛
TelComALb		7	7299	u30½	29¼	30	+⅛
Tellabs		38	43866	57⅞	54¼	54⅞	−⅛
Telxon Cp	0.01		2737	u25⅞	24⅞	25⅞	+⅛
Tetra Tec		23	2174	24⅞	23⅞	24⅞	+1⅛
TevaPhADR	0.27	25	3888	59¼	54¼	55⅞	−⅛
3Com		24	73732	52⅞	50⅞	51⅞	+⅛
TII♣			1199	8⅞	7⅞	7⅞	−⅛
TJ Intl♣ x	0.22	19	301	28⅞	25⅞	26	
Todd-AO	0.06	18	218	u11½	10⅞	11⅞	+⅛
Tokyo Mar	0.28	23	280	61⅞	60½	61⅞	+1⅛
Tom Brown		66	733	25⅞	24⅞	25⅞	+⅛
ToolsAlph		22	172	14	13⅞	13⅞	−⅛
Topps Co	0.28		347	3⅞	3⅞	3⅞	
TransWrld		25	148	u28⅞	27⅞	28½	+1⅛
Transcend			544	4⅞	4	4⅞	+⅛
Trimark x	0.96	11	80	39⅞	38⅞	38⅞	+1⅞
Trimble			791	18⅞	18⅞	18⅞	−⅛
Tramlex			202	3½	3⅞	3⅞	
TrustcoBnC	1.10	19	151	u28½	27⅞	27⅞	−⅛
Tseng Lab			298	4	3⅞	3⅞	−⅛
TysFdA	0.10	25	1833	23⅞	23⅞	23⅞	−⅛
United St		17	4	39¼	38⅞	39	+⅛
Unitog	0.12	29	63	28	25½	28	+½
Unitrn	2.40	21	351	u66¼	65⅞	65¼	+⅛
US Energy			89	12⅞	12¼	12¼	
US Servs			36	1⅞	1¼	1⅞	+⅛
US Tst	0.60	27	296	u59⅞	57¼	58⅞	+⅛
UST Corp x	0.46	17	1594	26⅞	25⅞	25⅞	+⅛
Utd Telev	0.50	23	2	u107	107	107	−4
Utilx		16	30	4⅞	4⅞	4⅞	+⅛
Valmont♣ x	0.23	24	152	21½	21¼	21⅛	
Vngrd Cell			8357	u16½	15⅞	15⅞	−⅛
Varlen	0.36	16	1974	u42¼	39¼	41½	+1¼
Vicor		54	868	u31⅞	30⅞	31	−½
VicorpRst		78	20	15⅞	15⅞	15⅞	
Viewlogic		39	3368	23½	21⅞	22	
VLSI Tech		55	17169	37¼	35½	36⅞	−⅛
Volvo B	0.48		899	u29	28¼	28⅞	+⅛
Wang Lab			6508	u24¼	22⅞	23⅞	+⅛
Warrantech		34	133	11½	11⅞	11½	
WashMut	1.08	18	20227	70½	67¼	67⅞	−1¼
WatsnIndA	0.31	15	205	27½	26⅞	27⅛	−⅛
Wausau PM	0.25	18	1766	24⅞	23¼	24¼	+⅞
WD-40	1.28	21	350	30⅞	29⅞	29¼	−1⅛
Werner En	0.10	22	730	u25⅞	25⅞	25⅞	+¼
Westrn Bnc	1.04	27	152	u89	87¼	88¼	+¼
WestOne		21	956	41½	40⅞	41	
WetSeal♣		18	1925	24⅞	23¼	24¼	+⅞
WmSonoma		36	1686	42⅞	41	41½	−½
Welchm L	0.28	14	101	14	13⅞	13⅞	−⅛
WrldCm			13046	u39⅞	37⅞	38⅞	+⅛
Wiehnds	0.52	20	3479	20⅞	20	20¼	−⅛
WPP ADR	0.29	22	3115	u48⅞	47	48	+1¼
Wyman-Gdn	0.40	34	1794	27	26½	26⅞	+⅛
Xilinx♣		33	30212	49¼	46⅞	47⅞	+1⅞
Xircom		20	3416	12⅞	12¼	12⅞	+⅛
Xoma Corp			1970	7⅞	7½	7⅞	+⅛
Yahoo			12148	58¼	53⅞	55¼	+1¼
Yellow			2454	33⅞	31⅞	32⅞	−⅛
York Rsch		27	574	9¼	8⅞	9	
ZionsBan	0.48	21	2210	39⅞	38⅞	39	+1

AMEX PRICES

4 pm close October 3

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Adv Magn		[illegible]	6	10⅞	10¼	10¼	
Atmgd		3	109	8⅞	8⅞	8⅞	+⅛
Allis Inc		9	58	⅞	⅞	⅞	
Alpha Ind			1419	19½	18⅞	19	+⅛
Am Isr Pa	4.24	6	20	44⅞	44⅞	44⅞	
AmExpl♣			89	u19⅞	19⅞	19⅞	+⅛
Ampal-AmA			67	5⅞	5½	5⅞	+⅛
ASR Inv	2.00	6	38	23⅞	23⅞	23⅞	+⅛
Astrotech		27	117	u12⅞	12⅞	12⅞	+⅛
AudVox A			865	10⅞	9⅞	9⅞	−⅛
AutoTotalA			163	2⅞	2⅞	2⅞	−⅛
AxtelPiDR			51	1⅞	1⅞	1⅞	−⅛
B&H Ocean		18	70	4⅛	3⅞	4⅛	+⅛
Badger Mtr	0.50	30	38	48⅞	48	48⅞	+⅛
BidelT A♣			51	u5⅞	5½	5⅞	+⅛
BATindr♣ x	0.88	10	763	18⅞	18¼	18⅞	+⅛
Beard			20	4⅞	4½	4⅞	−⅛
Bema Min	0.40		107	43	42⅞	43	
Bio-Rad A		16	103	30¼	29⅞	30	+⅛
Bowmar	3.00	14	202	2⅞	2⅞	2⅞	
Bowne	0.38	9	345	u37⅞	36⅞	36⅞	−⅛
Cambrex	0.20	18	149	47⅞	47	47⅞	+⅛
CalFedCnt♣	0.01		615	4⅞	4⅞	4⅞	
Comlnco♣		17	59	25⅞	24⅞	24⅞	−⅛
CompTrac			65	9⅞	9⅞	9½	+⅛
Computrac			305	1⅞	u1	1	−⅛
CoolFabA♣		13	20	7⅞	7⅛	7⅞	
CrossAT A	0.32	64	103	9⅞	9⅞	9⅞	
Crown C A		17	38	19⅞	19¼	19⅞	+⅛
Crown C B		16	573	18⅞	18⅞	18⅞	+⅛
Cubic	0.38	28	60	39¼	37½	37⅞	−1½
Cybex			144	11⅞	11	11½	+½
DI Inds			8938	u8⅞	8¼	8⅞	−⅛
Eagle Co	0.48	20	73	16	15⅞	16	+⅛
Echo Bay			2381	5⅞	5⅞	5⅞	−⅛
Ecol Env A	0.32	161	2	9⅞	9⅞	9⅞	+⅛
Edisto Re		19	123	10⅞	10⅞	10⅞	+⅛
EquRd	2.82		69	u101⅞	101	101½	+¼
Fab Inds x	0.70	18	20	31¼	31¼	31¼	
Fina A	3.20	13	27	66⅞	66¼	66¼	−⅛
Forest La			1098	43⅞	42⅞	43⅞	+1⅛
Frequency	0.30	21	52	23⅞	22⅞	22⅞	−½
Garan	0.80	14	42	23⅞	23½	23⅞	+¼
Geochafd			220	40⅞	39⅞	40⅞	+⅛
Giant FdA	0.78	28	825	33⅞	33	33⅞	+⅛
Glatfltr	0.70	16	326	22⅞	21⅞	21⅞	+⅛
Goldfield		12	36	⅞	⅞	⅞	
HealthCr			2335	1⅞	1½	1⅞	−⅛
Hasbro	0.32	17	5861	28⅞	27⅞	28⅞	+⅛
Health Ch			20	7⅞	7⅞	7⅞	−⅛
Heico	0.10	36	183	u39⅞	34⅞	38⅛	+2⅞
HmsSH		118	243	17⅞	17½	17⅞	+⅛
HwnasinA			394	8	7⅞	7⅞	−⅛
ImpHolCp	0.16	19	40	18⅞	18⅞	18⅞	−⅛
Int. Comt			644	5⅞	5⅞	5⅞	
Interegn		58	346	10⅞	9⅞	10	−⅛
Ivax			3168	10⅞	10⅛	10⅞	+⅛
Jan Bell		16	65	2⅞	2⅞	2⅞	−⅛
JTS Corp			3672	⅞	⅞	⅞	−⅛
Kinark Cp		22	16	3	2⅞	2⅞	−⅛
KogerEq♣ x	0.60	26	469	u21⅞	20⅞	21⅞	+1⅛
Laborge	0.08	25	258	5⅞	5⅞	5⅞	+⅛
Lynch Cp		43	20	95	95	95	
Maxxam		15	150	56½	54⅞	54⅞	−1⅞
Media A	0.58	18	477	u40½	39⅞	39⅞	−⅛
Mmonadia			5046	u14	13⅞	13⅞	−⅛
MIIsI			15	u15⅞	14⅞	14⅞	
Moog A		24	2	39⅞	39⅞	39⅞	+⅛
MSR Expl			31	u1⅞	1⅞	1⅞	+⅛
NatPatDev		9	430	u13⅞	13	13⅞	+⅛
NY Tms A	0.64	23	20	53	53	53	+⅛
NVR		11	2071	25	24⅞	24⅞	+⅛
Pegasus G		57	1050	5⅞	5⅞	5⅞	+⅛
Peril		4	133	8⅞	8⅞	8⅞	+⅛
PMC x	1.28	12	137	14⅞	14⅞	14⅞	
RagesBnd			20	30	30	30	
SJW Corp	2.28	25	9	u57⅞	56⅞	57⅞	+¼
Tab Prods	0.20	15	180	u12½	11⅞	12½	+⅞
TeleData	0.42	72	20	44	44	44	
Thermedics		19	230	19⅞	18⅞	19⅞	
Thermdins		30	57	42⅞	41⅞	42⅞	+⅛
TotPNA	0.30	148	20	10⅞	10⅞	10⅞	
TownCtry		0	30	⅞	⅞	⅞	
Tubes Mex		10	6630	24⅞	24½	24⅞	−⅛
UtdFoodsA		32	20	2⅞	2⅞	2⅞	
UtdFoodsB		32	20	2⅞	2⅞	2⅞	
US Cellul		35	1650	38⅞	38¼	38⅞	+⅛
ViacmA			1785	31⅞	31¼	31⅞	−⅛
ViacmB			7989	31⅞	31¼	31⅞	+½
WRIT	1.12	20	20	13½	13½	13½	
Xytronix			86	1⅞	1⅞	1⅞	−⅛

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3	−0.25	63500	8.25	2.875	Innogenetics	US$11.375	+0.25	104982	12.75	9.875
Artwork Systems	US$8		16175	11.125	7.875	Lernout & Hauspie	US$48.25	+3.625	34700	45	25
Chemunex	FFr12.5		0	18	10	Mercer Int'l	US$10.875	−0.5	0	11.75	8.125
Debonair Holdings	GBP5.55	−0.1	1300	7.15	4.5	NTL	US$26.5		0	27.5	20.5
Dr Solomon's ADS	US$26.125	+0.25	3000	30.75	16.875	PixTech	US$3.5		0	6.125	3.375
EDAP TMS	US$8.4375	+0.25	0	9.125	6.5	Schoeller-Bleckmann	Sch1528	−5	315	1692	900
ESPACE PROD. INT.	FFr114.5	+0.87	15350	125.5	117	Topcall Int'l	Sch4945	+40	3555	4953	3065
Esprit Telecom ADS	US$8		0	12.25	5.375	Turbodyne Technol	US$5.13	+0.03	0	6.25	3.73

Prices for 3/10/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9990).

FT GUIDE TO THE WEEK

MONDAY 6

China pursues WTO bid

China begins two weeks of bilateral talks in Geneva with its main trading partners, in the hope of making progress in its 11-year-old application to join the World Trade Organisation. However, Beijing has yet to present a new offer on opening up its potentially vast services market which the US, European Union and other trading powers say is essential for a deal. The talks come ahead of the Washington summit on October 28 between US President Bill Clinton and Chinese President Jiang Zemin when China's WTO membership will be on the agenda.

Foreign ministers meet

The fraught trade relationship between the European Union and the US will be discussed at a meeting of EU foreign ministers in Luxembourg. The European Commission has warned the US not to take action, under the d'Amato-Kennedy act, against the French oil company Total which has signed a contract to develop an oilfield in Iran. Ministers will discuss reconstruction in Bosnia, and on Tuesday hold talks with the government of Cyprus which is due to start negotiations on entry into the EU next year.

Platform tickets

Railway officials from around the world meet in Marrakesh for a five-day conference on the increasing involvement of the private sector in the previously largely publicly owned rail industry. The conference, organised by the International Railway Congress Association and the International Union of Railways, will also look at the way the cost of rail and competing modes of transport are compared and suggest that, when like is compared with like, rail is financially viable.

War on climate change



President Bill Clinton hosts a White House conference with 200 chief executive officers, scientists, and local politicians, to discuss what the US should do about climate change. Mr Clinton wants to raise awareness of the problem and consult public opinion before he decides what proposals the US will take to international negotiations in Kyoto in December. The talks aim to curb developed countries' emissions of greenhouse gases associated with climate change.

Basques on trial

Trial begins in Madrid of 23 members of Herri Batastuna, the Basque separatist movement, for collaboration with an armed organisation.



Britain's Conservative party meets for its first annual conference under new leader William Hague on Tuesday

Recount appeal

The High Court in London hears a petition by Gerry Malone, deposed member of Parliament for Winchester in southern England, for the general election vote locally to be rerun.

FT Surveys

Copper Industry; Korean Investment in Europe.

Public holidays

Australia, Barbados, Egypt, St Lucia, Syria.

TUESDAY 7

Royal visit

Queen Elizabeth and Prince Philip arrive in Islamabad for a five-day state visit to Pakistan to mark the 50th anniversary of the country's independence from Britain. The Queen's visit, her first to Pakistan since 1961, is also aimed at underlining the political, personal and economic links that Britain, which has half a million citizens of Pakistani origin, has with this Commonwealth country.

Time to pay

The European Commission holds a public hearing as part of the consultation towards a directive tackling the problem of late payment in commercial transactions.

Terror talk

Anti-terrorism experts from the Association of South East Asian Nations join police and government officials in Tokyo for a two-day conference to discuss ways to strengthen regional co-operation against terrorism. Japan's growing interest in the issue follows the seizure of the Japanese ambassador's residence in Peru last December and the ensuing hostage saga.

Tories' party

The Conservatives' first annual conference in opposition since 1978 starts in Blackpool, continuing until Friday, with the notable absence of Michael Heseltine, former deputy prime minister. Party leader William Hague faces the verdict of a ballot of Tory activists on his effectiveness as party leader.

Jobs target

European social affairs ministers will have their first opportunity to discuss European Commission targets for reducing unemployment when they meet in Luxembourg. The Commission wants to cut average unemployment from 10.6 per cent to 7 per cent within five years and long-term unemployment by half.

FT Surveys

Logistics; Taiwan.

Public holiday

Bhutan.

WEDNESDAY 8

Caribbean futures

Business leaders and government officials in the Caribbean will discuss the region's business environment and the expansion of the services sector at the fifth annual Caribbean Business Conference at the World Trade Centre in Curacao between October 8 and 10. The conference will examine the prospects for expanding several services, including banking, insurance and information technology; the adequacy of the Caribbean's telecommunications infrastructure; and the implications for the environment of continued expansion of tourism.

Eurostar inquiry

A public inquiry opens into Eurostar proposals to build a new station at Stratford, east London, and a twin-track connection from the Channel Tunnel Rail Link to the North London Line and West Coast main line.

Closer Thais

Chavalit Yonghaiyudh, Thai prime minister, arrives in Tokyo on a three-day visit for talks with Japanese leader Ryutaro Hashimoto. Discussions are likely to focus on Thailand's financial problems and Japan's leading role in multilateral efforts to support the country through its recent currency crisis. Japan is Thailand's main creditor nation and was the largest single contributor to the $17.2bn international rescue package, pledging to match the $4bn contribution from the IMF.

Arrivals board

Central Japan Railway becomes the latest part of the government's now defunct Japanese National Railways group to list on Japan's stock exchanges. The listing will be widely watched as a gauge of interest in large government privatisations, following the mixed success of earlier listings of East Japan Railways and West Japan Railways, known as JR East and JR West.

Cuban congress

Fifth congress of the Cuban Communist party begins.

FT Surveys

Panama; Kansai region of Japan.

Public holidays

Cuba, Peru.

THURSDAY 9

Ministers on the limit



Neil Kinnock, European transport commissioner, will ask European Union transport ministers to back proposals which would prohibit EU citizens from driving with more than 50 milligrams of alcohol per 100 millilitres of blood.

Island poll

The Falkland Islands holds elections for its eight-seat legislative council, which manages the British dependent territory's affairs save foreign policy and defence. No radical changes are expected in policy: all 14 candidates oppose sovereignty discussions with Argentina, which claims them. On the new council for the first time, Stanley councillors (numbering five) will outnumber those from the countryside, reflecting migration to the capital.

FT Survey

Business Education.

Public holidays

Australia, Azerbaijan, Ecuador, Uganda.

FRIDAY 10

Jobs talks

The French government, employers' representatives and unions meet for the jobs summit promised by the ruling Socialist party after its election on June 1. Wage increases and job creation pledges are on the agenda, but the most intense discussion will concentrate on proposals to reduce the legal maximum working week from 39 hours to 35.

Council of Europe

The 40-nation Council of Europe meets in Strasbourg for its second summit to set out policies on human rights, culture and security; the summit will adopt a political declaration and an action plan to take the council into the 21st century; participants include French president Jacques Chirac, German chancellor Helmut Kohl, Russian president Boris Yeltsin and British prime minister Tony Blair.

Peace prize

The Nobel Committee announces the 1997 Peace Prize.

Nato role

North Atlantic Assembly (NAA) parliamentarians meet in Bucharest to discuss future of transatlantic relationship and role of Nato.

FT Survey

European Private Equity.

Public holidays

Cuba, Hong Kong, Japan, Kenya, Macau, Taiwan.

SATURDAY 11

Old lady sings

Madrid opera house reopens after 10-year refurbishment.

Turn of the earth

British National Ploughing Championships take place at Leeds Castle, Kent.

SUNDAY 12

Clinton goes south



President Bill Clinton begins his first official trip to South America, starting in Venezuela and then going on to Brazil and Argentina. Most attention will be on what he says about trade and the proposed Free Trade Area of the Americas, which is supposed to be in place by 2005. There are big differences on this issue – particularly between the US and Brazil. But without fast-track authorisation from Congress in his pocket, Mr Clinton will be able to promise little.

In, out, etc

Start of The Atlantic Rowing Race, the longest rowing race ever staged, from Los Gigantes, Tenerife.

Motor racing

Japanese grand prix, Suzuka: Michael Schumacher and Jacques Villeneuve contest the penultimate round of the Formula I world championship.

Compiled by Roger Beale.
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ECONOMIC DIARY

Other economic news

Monday: German retail sales during August, due to be released some time this week, are forecast to show a strong decline of around 6 per cent year-on-year, due to falling department store sales.

Tuesday: The August fall in the UK retail price index was due to lower food price inflation. The markets are looking for the September headline rate to remain steady at 3.5 per cent year-on-year, and an underlying rate of around 2.7 per cent.

Wednesday: Forecasters are looking for unchanged domestic Japanese wholesale prices in September, making for a year-on-year increase of just under 2 per cent.

Thursday: The meeting of the Bundesbank's central council will be one of the most eagerly awaited economic events of the week. Analysts are looking out for a switch from a fixed to a variable repo tender, which would allow interest rates to drift higher over time.

Friday: US producer prices in September are expected to have edged up because of higher tobacco prices, but analysts do not expect any a large upward drift.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Italy	Sept consumer price index ex-tobacco*	0.2%	0.0%
Oct 6	Italy	Sept consumer price ind ex-tobacco**	1.4%	1.5%
	UK	Aug industrial production*	0.0%	0.8%
	UK	Aug industrial production**	2.8%	2.3%
	UK	Aug manufacturing output*	0.2%	0.4%
	UK	Aug manufacturing output**	2.0%	1.8%
	Canada	Aug building permits*	0.7%	0.2%
Tues	Italy	Jul EU trade balance	L1,300bn	L0.300bn
Oct 7	Italy	Aug ex-EU trade balance	L5,700bn	L6,400bn
	Germany	Sept unemployment† pan-Germany	16k	49k
	Germany	Sept unemployment† west	-2k	12k
	Germany	Sept unemployment† east	18k	36k
	Germany	Jul employment† west	-2k	-11k
	Germany	Sept vacancies† west		9k
	Germany	Sept short time not† west		-30k
	UK	Sept retail price index*	0.4%	0.6%
	UK	Sept retail price index**	3.5%	3.5%
	UK	Sept retail price index X**	2.7%	2.8%
	US	BOT-Mitsubishi Oct 4		-0.2%
	US	Redbook Oct 4		-0.8%
	US	Aug consumer credit	$5bn	$6.5bn
	Japan	Sept overall wholesale price index*	0.2%	0.0%
	Japan	Sept overall wholesale price index**	2.2%	2.1%
	Japan	Sept domestic wholesale price index**		1.8%
	Spain	Jul industrial production** CA	5.7%	5.3%
	Spain	Jul industrial production** NA	5.4%	7.5%
Oct 8	US	Aug wholesale sales		0.5%
Thurs	UK	Sept CBI distributive trades		22.0%
Oct 9	Canada	Aug motor vehicle sales*	2.0%	3.3%
	Spain	Aug producer price index*	0.1%	0.2%
	Spain	Aug producer price index**	1.3%	1.3%
Fri	France	Jul current account†	FFr20bn	FFr18.4bn
Oct 10	France	Q2 gross domestic product final**	1.0%	1.0%
	Canada	Sept employment†*	0.3%	0.4%
	Canada	Sept unemployment rate	8.9%	9.0%
	US	Sept producer price index	0.2%	0.3%
	US	Sept PPI ex-food and energy	0.2%	0.1%
During the week...				
	Germany	Aug manufacturing orders pan-Ger*	-0.5%	0.9%
	Germany	Sept final cost of living* west		0.2%
	Germany	Sept final cost of living** west		2.0%
	Germany	Sept cost of living* pan-Germany	-0.3%	0.1%
	Germany	Sept cost of living** pan-Germany	1.9%	2.1%
	Spain	Sept registered unemployment	12.6%	12.4%
	Japan	Aug current account (IMF) not†	Y885bn	Y460bn
	Japan	Aug trade balance (IMF) not†		Y543bn
	Japan	Aug foreign bond investment		Y513bn
	Germany	Aug retail sales, real not†*	-5.0%	-0.9%
	Germany	Aug retail sales, real†		-3.8%

*mth on mth, **yr on yr, ***qtr on qtr, †seasonally adjusted. *Statistics, courtesy MMS International.*

MORSE

The first bug to invade a computer was crushed to death in the jaws of a relay in 1945

Bugs (albeit of a somewhat different type) are still a part of computing today. No system is immune without special protection.

Morse has a history of designing and implementing resilient UNIX systems. If a critical application or server has a problem, business continues as normal.

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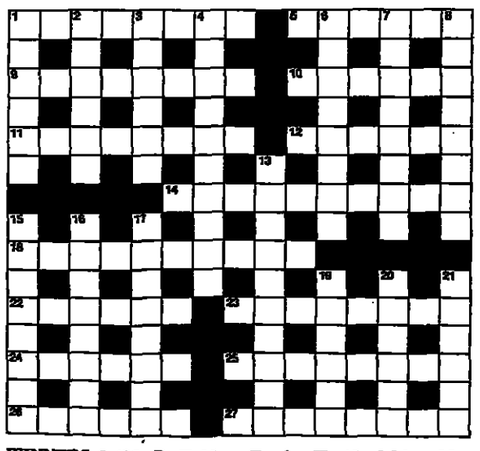
0800 22 88 88

ACROSS

1 Like a schoolmaster turning Dante into short film (8)
5 The first generation to make a nasty face over cabbage and broccoli (6)
9 Finds another use for the engineer's vehicles (8)
10 Judge the effect of rough seas on ship (6)
11 Surgeon works to original rules (8)
12 Conservative cheer about the place of childcare (6)
14 Sense is confused on coach firms (10)
16 Acting attractively in the intended manner? (10)
22 Proportion allocated before new allowance (6)
23 Warning the actors there is a production of "The Tempest" to come (8)
24 Drop in some pamphlets against illicit drugs (6)
25 Shame about city radius getting preferential treatment (8)
26 Tries to speak in army dining hall – gets head bitten off (6)
27 Ireland's revolutionary inhabitant (8)

DOWN

1 Muddled prose by Newman (6)
2 Last month leaders of Russia and Eastern Europe made an order (6)
3 Honey Court is in the Close (6)
4 Unable to express how popular poor queen is with other lot (10)
6 Substitutes books (8)
7 Try to improve on the written work (8)
8 Seen puss wandering around in a state of indecision? (8)
13 They advertise that the man gets lodgings (10)
15 Mean to ally oneself on the left in the UK (8)
16 Initially everybody got firsts, the conceited creatures (8)
17 No motorway to New York after soldier returned in dishonour (8)
19 Headgear for the Iron Lady (6)
20 Took a cab, arrived at same time without short cut (6)
21 One who is on course to keep going (6)



WINNERS 9,486: P. Holden, Tewin, Hertfordshire; Mrs H. Bailey, Snape, Suffolk; A.R. Davies, Cardiff; E.N. Staines, Defford, Worcestershire.

MONDAY PRIZE CROSSWORD
No.9,498 Set by ADAMANT

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday October 16, marked Monday Crossword 9,498 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday October 20. Please allow 28 days for delivery of prizes.

Name.....

Address.....

Solution 9,486

H	A	R	D	C	O	P	Y		S	C	R	A	P	E
E		U		A		O			R		I		L	
C	H	E	Q	U	E	R	S		M	A	D	R	I	D
U		F		G		K			C		S		O	
B	R	U	S	H	U	P	S		S	K	A	T	E	R
A		L		T		I		O		E		R		A
					W	E	A	V	E	R	B	I	R	D
S		E		A		K		E		S		P		O
H	I	G	H	C	H	A	I	R	S					
I		Y		C		T		P		I		S		I
N	A	P	K	I	N		B	R	I	G	H	T	O	N
D		T		D		I		A		N		R		H
I	B	I	D	E	M		M	I	T	I	G	A	T	E
G		A		N		S		T		T		R		
S	E	N	A	T	E		D	E	L	E	G	A	T	E

Davys
FINE WINES AND EATING

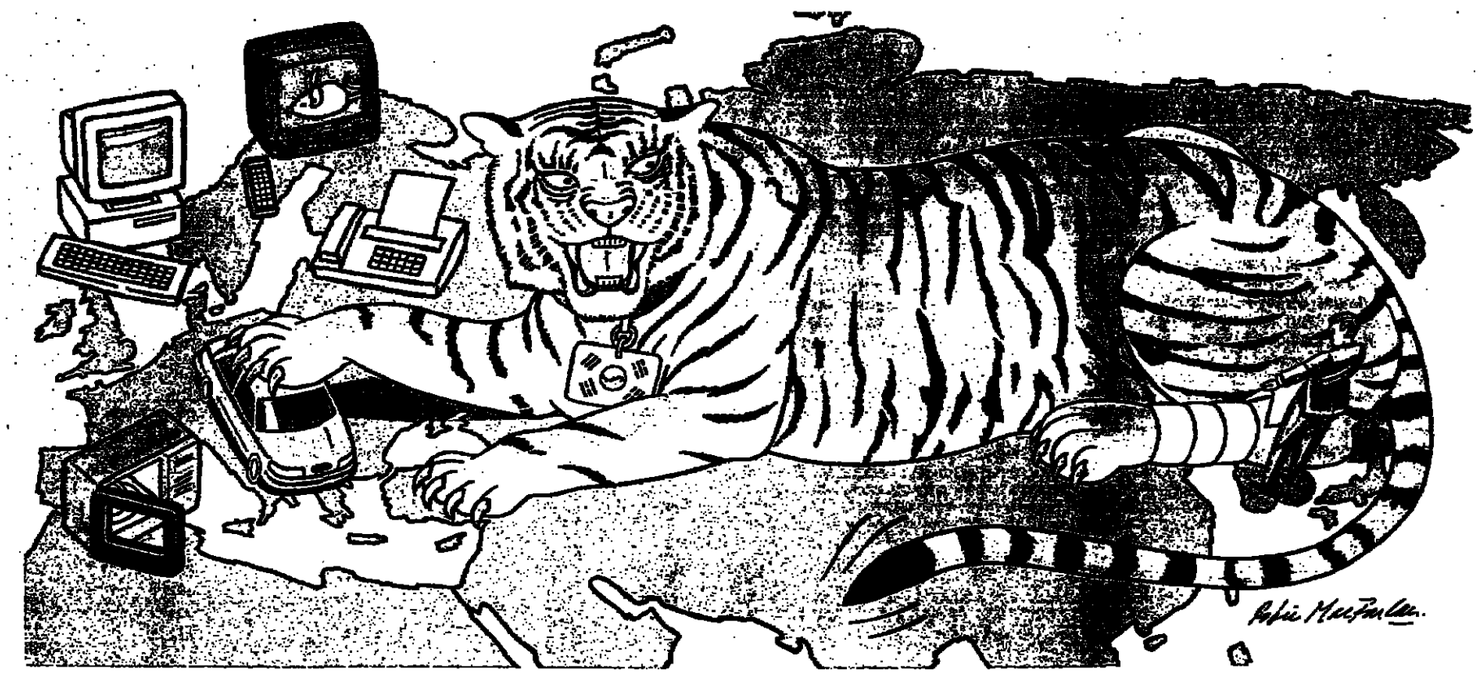
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SOUTH KOREAN INVESTMENT IN EUROPE

Domestic economic worries are unlikely to diminish a hunger for relatively cheap labour. **John Burton** reports

This 'tiger' is wounded but still on the prowl



South Korea's giant conglomerates have discovered Europe in the last few years, investing billions of dollars in electronics and car plants spanning the continent. Western Europe has been attracting high-tech industries, such as semiconductor manufacture, from this "tiger" economy country, while the newly open economies of eastern Europe have been chosen for heavy industry because of cheap labour.

Despite a slowing down this year as a result of domestic economic problems – causing the highly-leveraged *chaebol* to cut costs and concentrate on servicing huge debts – it is a process which seems set to continue.

The reasons for Korean interest in Europe have not disappeared. Although Europe accounts for less than one-fifth of total overseas Korean investment, it is essential to the *chaebol* strategy of transforming themselves into multi-national conglomerates. Record profits, too, in 1994-95 have facilitated the investment drive into Europe.

Korean companies decided to target Europe at the beginning of the 1990s to diversify away from existing export markets and to reduce heavy dependence on the US as a customer. Just as importantly, creation of the European Union internal market in 1992 was raising fears of a Fortress Europe that would shut out Korean goods. This made it important for the *chaebol* to be able to avoid trade barriers by forming closer ties with export markets.

Trade has since grown despite a background of persistent disputes. The Koreans have complained about EU anti-dumping measures, particularly for electronic goods, while the Europeans have protested against Korean trade barriers on a range of products from whisky to cars.

Now, with the benefit of a substantial presence in Europe in a number of sectors, Korean companies believe that European demand for their products will increase as the introduction of European monetary union in the next few years – like the single market before it – boosts regional growth.

Korean conglomerates have also viewed Europe as a means to secure lower production costs. Although Korea was once known as a land of cheap labour, wages have jumped in the past decade to become the second highest in Asia after Japan.

By investing in depressed areas of Europe with high unemployment rates Korean companies have been able to pay workers at lower rates than at home.

European governments, keen to reduce unemployment, have encouraged Korean investments in these areas by offering regional grants or other subsidies, such as cheap land.

Daewoo, which has been the most aggressive of the big *chaebol* in investing in Europe, exemplifies this strategy. It has set up consumer electronics plants in Northern Ireland and north-east France to take advantage of government financial support for these troubled regions.

Such a policy has not been without risks, however. Claims by French trade unions that Daewoo was engaged in "economic exploitation" led to public pressure that reversed a decision by Paris last year to sell the state-owned Thomson consumer electronics group to Daewoo.

The incident temporarily soured Franco-Korean relations, with the Korean media accusing French protesters of being xenophobic. But it has not deterred Daewoo from continuing to use France as its main electronics manufacturing base in the EU.

It is in eastern Europe that Daewoo has made its greatest impact. It has bought troubled state-owned automotive plants in the Czech Republic, Ukraine, Poland and Romania, to become the single largest foreign investor in the last two nations. The need to attract foreign investment and revive the region's economies has meant Daewoo has been able to win preferential treatment in terms of tax breaks and other state benefits for its investments.

Daewoo is essentially repeating in eastern Europe the corporate strategy that made it Korea's fourth-largest *chaebol* through the purchase of state-owned enterprises at home. Daewoo is hoping that the combination of a cheap labour pool in eastern Europe and the region's free-trade access to the EU will transform the group into one of the world's 10 leading car companies as it gains a significant share of the European market.

However, investments in eastern Europe present potential problems, including sluggish productivity rates and possible product quality problems. This is of particular concern for Korean companies that have had to fight an image of producing cheap, but shoddy, goods. Daewoo has tried to solve the problem by training Polish car workers at its plants in Korea.

Its own financial problems have been behind doubts now being cast on the survival of joint ventures in Germany and Russia involving Kia, Korea's third-biggest carmaker.

Market conditions in eastern Europe can also change suddenly. Recent economic reforms in Romania led to a currency devaluation that caused car sales there to fall and left Daewoo with mounting inventory at its Romanian plant. In contrast with Daewoo, its main Korean competitors have been less ambitious in establishing an extensive industrial presence in Europe. One reason is that they have generally preferred to take the more expensive route of building factories from scratch rather than taking over existing facilities.

The biggest Korean industrial projects have been in semiconductors and consumer electronics. LG and Hyundai are building multi-billion-dollar microchip plants in Wales and Scotland respectively, while Samsung has begun operation of a consumer electronics plant in north-east England. Hyundai has suggested that it might also establish a car factory in eastern Europe to complement small assembly plants in the Netherlands and Turkey.

The location of the electronics facilities in the UK has meant it has become the biggest magnet for Korean investment in Europe with nearly $7bn in planned projects – an estimated 60 per cent of total Korean investment in the EU.

It is not only generous regional grants that have attracted Korean companies to the UK, however. Earlier Japanese investment in the country has resulted in the creation of a reliable sub-contracting network for the electronics industry that the Koreans are using. Cultural factors also play a role since English is the preferred foreign language for senior Korean managers, making for easier communications with a British workforce.

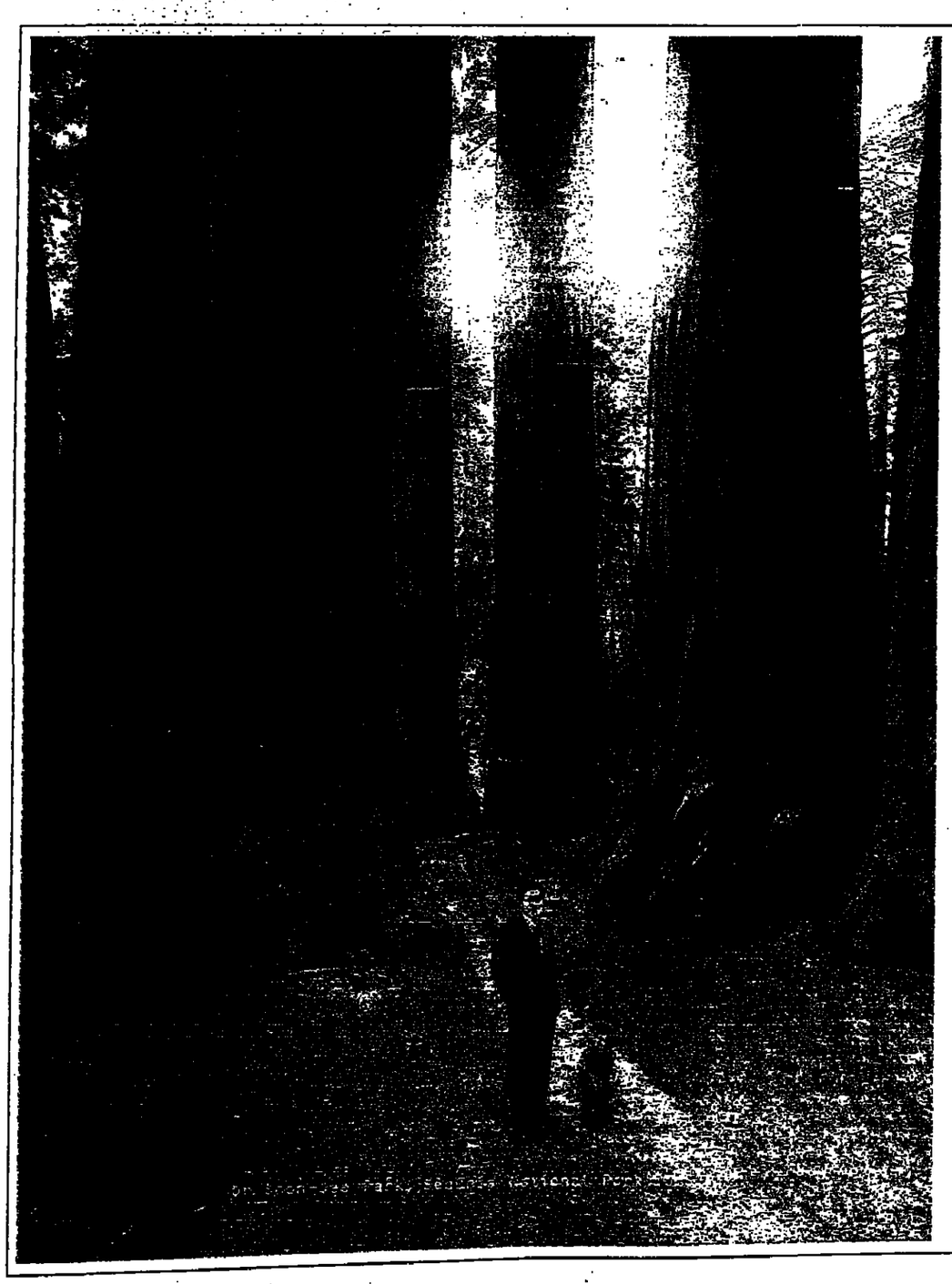
London's role as Europe's leading financial centre is another attraction. With the Korean government lifting restrictions on overseas borrowing, Korean *chaebol* are increasingly relying on the UK capital markets for their needs. The London Stock Exchange is hoping to quadruple the number of Korean global depositary receipt listings to 50 within the next few years.

But Korean *chaebol* are not relying solely on London for their financial needs. They have also taken a keen interest in developing financial services, including the purchase of banks in eastern Europe to help finance their expansion there.

The UK is likely to remain dominant in gaining Korean investment in the EU. Germany, which was once the main target for Korean investment in Europe as it offered the hope of possible technology transfers, has steadily lost ground to the UK and eastern Europe because of high wage costs. Interest is now mainly focused on acquiring factories in the east.

Russia has disappointed early expectations of attracting Korean investment. The reason is bureaucratic red tape and uncertain political and economic conditions. Instead, Korean investment is flowing to the former Soviet republics in central Asia, particularly Uzbekistan, which has a sizeable ethnic Korean population that was forcibly transferred there from the Soviet far east by Stalin in the late 1930s.

● *John Burton is the FT's correspondent in Seoul*



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2 SOUTH KOREAN INVESTMENT IN EUROPE

TRADE • by Neil Buckley in Brussels

Two sides need to maintain good relations

Seoul manages to defuse a spat over campaign to curb luxury imports

The image on the posters was stark: South Korea in the shape of an arm, with a syringe sticking out of it, labelled "Johnnie Walker".

The posters were part of a series produced in response to what many Koreans believed was a government-sponsored "frugality" campaign, urging consumers not to buy imported luxury goods from the EU and elsewhere, but basic, home-produced goods.

The call was taken up by consumer and religious groups after South Korea's president gave a speech last summer which was widely reported as urging Koreans to reduce consumption of luxury goods.

Anyone viewing such posters, or hearing the angry protests from Europe and the US that the so-called "frugality" campaign provoked, might conclude that trading relations with Korea were poor. In fact, say EU officials, apart from the high-profile frugality issue, and some lingering squabbles over liquor taxes and anti-dumping duties, relations are generally good.

Neither side can afford them not to be. Korea is the EU's eighth-biggest trading partner and its fourth-biggest outside the European continent, after only the US, Japan and China.

The EU enjoyed a trade surplus with Korea last year of some $5.9bn, thanks largely to Korea's reliance on imported capital goods. In many individual consumer goods sectors, however, Korea enjoyed a considerable surplus.

Disputes do occur, however, of which the biggest was undoubtedly the frugality campaign. Although the government denied it was giving unofficial blessing to the campaign, which discouraged Koreans from buying anything from imported cars to lobsters, both the EU and US put firm pressure on Seoul to distance itself.

Brussels officials say the issue was a particularly tricky one to deal with since the campaign consisted not of classic trade policy measures but a "complex of speeches and slanted media stories, nods and winks".

The government did eventually make a public statement in May, recognising that anti-import actions were not in the interests of the Korean economy, and issuing guidelines to officials on how to act in an even-handed way. While the government did not admit "guilt" in encouraging the frugality campaign, it did enough to defuse what could have become a damaging international row.

Some disputes remain, however. The European Commission last month formally complained to the Geneva-based World Trade Organisation about Korean liquor tax laws, which the EU claims favour the local *soju* spirit.

The mainly domestically-produced *soju* carries a tax of only 35 per cent, but mainly imported spirits such as whisky and brandy carry a tax of only almost 10 per cent and white spirits such as vodka and gin a rate of 80 per cent rate. That, says Brussels, represents an unfair trade barrier to EU exports to an annual market of Ecu5bn.

EU spirits exports to Korea amounted to only Ecu183m last year.

The EU and US last year won a similar WTO case against Japan and tax rates for the domestic Japanese spirit *shochu*, and Brussels had consistently warned Korea that it would take action unless the taxes were made more equitable. Earlier bilateral talks and consultations through the WTO did not resolve the matter.

The other main area of disagreement between the EU and Korea is over anti-dumping measures. Seoul frequently complains that the EU too frequently uses such measures for protectionist purposes.

Brussels counters that there are only 10 sets of definitive EU duties in force on Korean products. Although these include everyday products such as microwave ovens, video cassettes and televisions, as well as industrial items such as monosodium glutamate and electrolyte capacitors, they affect only 1.74 per cent of total Korean imports to the Union, according to EU statistics.

"South Korea sometimes suggests it is being victimised," said a Commission trade official, "but we are extremely confident that the correct measures have been used and applied in compliance with WTO rules."

Perhaps the most sensitive anti-dumping measures are on D-Ram chips, the basic memory chips used in everything from video recorders to personal computers. Minimum prices were imposed on South Korea's Goldstar, Hyundai and Samsung in March 1993, with duties of 24.7 per cent on any other Korean D-Ram imports. That followed imposition of similar measures on Japanese D-Ram imports in 1990.

Japan and South Korea between them have 80 per cent of the Ecu5bn-a-year EU D-Rams market.

After being suspended for 18 months from June 1995, the measures were reimposed from this March after a steep fall in worldwide chip prices. The Korean Semiconductor Industry Association, along with the Electronic Industries Association of Japan, are now in talks with the European Electronic Component Manufacturers Association on a possible monitoring agreement that might allow the measures to be removed.

Korean manufacturers would undertake to store cost and pricing information and make it available to the European Commission if there were any suspicion that dumping was taking place.

Brussels adds that anti-dumping is no longer a one-way concern. South Korea itself has imposed duties on certain EU goods, such as electric shavers from the Netherlands and Germany, as well as cellulose and self-copy carbonless paper.

"Increasingly we are treating Korea as a mature partner," said one EU trade official. "But even between mature partners there are inevitably disagreements from time to time."

UK • by Peter Montagnon, Asia Editor

Strong flow is expected to decline

Emphasis is likely to switch from mega-projects to medium and technical ventures

When South Korean companies look to Europe, there is little doubt about which country they look to first.

A wave of investment this decade has brought Korean investment in the UK to a total of some £6.75bn, which is equivalent to half its total investment in the European Union (EU). Over the past three years, Britain has taken two-thirds of new Korean investment in Europe.

A large part of the investment has come flooding in over the past three years or so as local wages increased and Korean companies moved overseas in response to government exhortation for them to run their businesses on a more global basis.

The first significant move came in 1994 when Samsung announced a £450m investment in consumer electronics at Wynyard, on Teesside. Then, last year, LG announced plans to invest some £1.7bn in south Wales in a factory to produce computer monitors and a wafer fabrication plant. Together, these facilities will employ some 6,100 people, twice as many as at Samsung's plant in Wynyard, which makes the LG plan Europe's largest investment in terms of job creation.

That was followed by an announcement from Hyundai of proposals to build two semi-conductor plants in Dunfermline, Scotland. Together, the plants will employ 2,000 people and involve expenditure of some £2.4bn, making this the largest inward investment in monetary terms.

But here, it seems, the hyperbole stops. Officials say they do not expect the flow of mega-projects to continue, although they believe the UK will continue to attract a steady flow of Korean investment. In particular, the often-mooted announcement by a large company of a car manufacturing plant is unlikely to materialise in the short term, officials say.

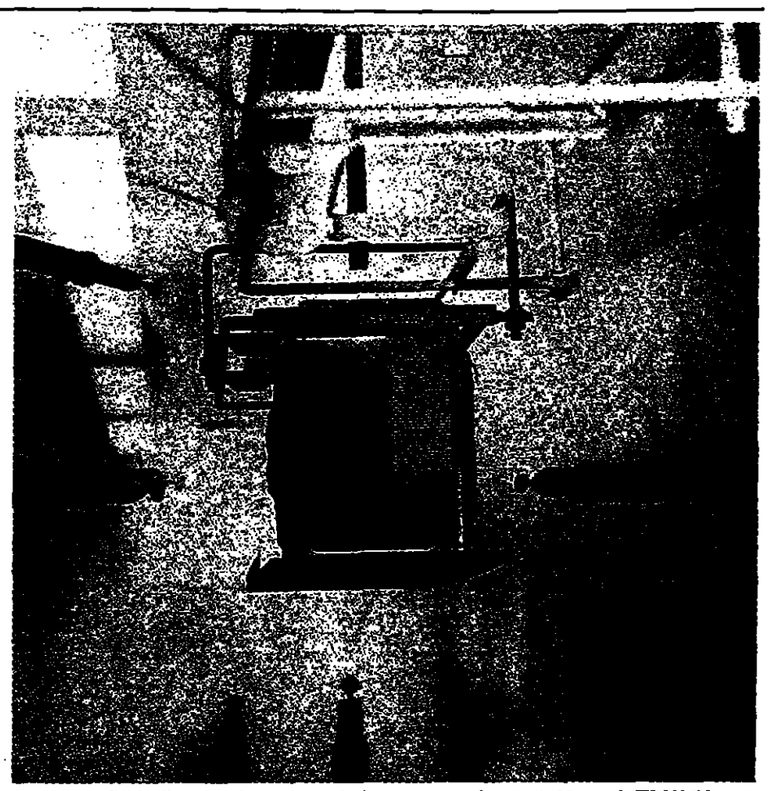
According to British government figures, the UK now pays host to around 30 Korean manufacturing investments and four centres of research and development. Korean officials say they expect the flow of investment to continue, but the emphasis from now on will be on medium-sized and technical ventures, often engaged in the supply of parts to the larger Korean plants now being established.

Already a number of such companies, including Deasung Circuit, Daewoo Components and Daewha Metal have established such parts and components factories.

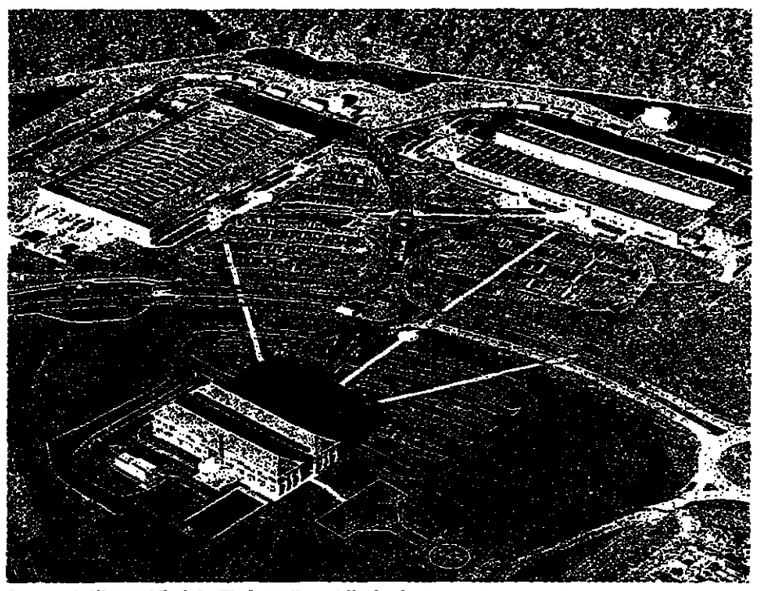
Among the attractions of the UK to Korean investors are the relatively low labour costs, the English language, low tax, adequate transport infrastructure and the accommodating stance of the UK government. Grants are are also thought to make a difference, at least in the initial decision. State aid approved by the European Commission for LG's plants in south Wales amounted to £237m.

But grants are controversial, and many argue that they are not the determining factor, since Britain has never been the most generous country in Europe. According to Andrew Frazer, of the government's Invest in Britain Bureau, one reason that has kept Britain attractive as an investment location is its tradition of privatisation and deregulation.

Britain's early privatisation of telecommunications, for example, created a large number of opportunities, and has also made the UK attractive as a centre of research. Samsung is undertaking research into digital telecommunications in the UK. There are growing links between Korean companies and British universities, and Britain is far ahead of other European countries in the development of science parks.



Enamel spraying at Wynyard, where output of microwave ovens is expected to reach 750,000 this year



Samsung's Wynyard Park facility in north-east England

Against that must be set concerns about the value of sterling and Britain's uneasy relationship with the rest of Europe. But Korean executives say they have been relatively unconcerned about the new Labour government's espousal of the social chapter which is quite mild in its practical implications.

What may eventually secure a permanent presence of Korean companies in Britain is the growing sense that, when Japanese and Taiwanese investment is taken into account, eastern Asia has reached a critical mass of investment in Britain which feeds on itself. LG and Sony will take supplies of glass in Wales from a Japanese company which itself is expected to be supplied from Taiwan.That sort of inter-dependence gives Korean investment, alongside that from the rest of east Asia, a firm foundation.

CASE STUDY Samsung

The right skills are in the right location

"We have major blue-chip companies resident in the UK looking for supplies. If we're manufacturing locally, they automatically get their requirement in a matter of hours," says John Slider, deputy managing director of Samsung Electronics Manufacturing (UK).

Being close to the European market, he explains, has become the main reason for the South Korean company's substantial investment in the UK.

Other grounds have often been given for Korean investment in Britain: its relatively flexible labour force and low wages, its accommodating government, strategic location in the European single market, and the English language skills of Korean executives.

But now, according to Mr Slider, the desire to be a local supplier in a global market outstrips everything else.

Samsung first settled on Teesside some 10 years ago when it opened a television plant in Billingham. But it was not until 1994 that it announced its major investment, a 450m development at Wynyard, the former estate of the Marquess of Londonderry which has been developed as an industrial park.

On that greenfield site now stand a gleaming training centre and plants producing computer monitors and microwave ovens.

According to Mr Slider, output of monitors will total some 1.5m units this year compared with 1m last year. The microwave plant will produce some 750,000 units, of which around 80 per cent will be exported.

The site employs around 1,400 people, a figure that will rise to around 2,000 as the production of printed circuit boards gets under way next year.

The printed circuit board line, on which some £12m is being invested, will increase the local content of Samsung's computer monitors.

Like the picture tubes, they are currently imported. Company executives admit that this part of the operation is still very much an assembly business, not too far removed from the type of screwdriver plants established by Japanese companies in the 1980s, principally to get round European dumping duties.

The microwave output, by contrast, is more of a complete manufacturing process, although many of the electronic components are also imported. Samsung is also taking this side of the business a stage further with the installation of a new line to produce higher value ceramic coated microwaves.

Yet Wynyard remains essentially a contract manufacturing centre reminiscent of own-label manufacturing plants in Asia. It is not involved in the development of new products or in marketing. As a supplier of goods both for the group and for its own-label customers it must compete on the basis of its manufacturing performance.

Since air freight is costly and surface transport time consuming, its location gives it a natural advantage for the European market, but Samsung always has the options of sourcing product from plants elsewhere from Mexico to Malaysia. Efficiency and productivity are thus essential to the plant's success.

The site seeks to keep its defect rate below 3 per cent and to hold inventories of finished product at less than two days of requirements. That it has been able to meet such demanding targets reflects both the quality of its workforce and its effort in training them.

Mr Slider reports to a Korean managing director, G.S.Noh, who is also president of Samsung Electronic's European operations. Another deputy managing director at Wynyard is also Korean, but most of the staff and senior management at the plant are British.

There are only 23 permanent Korean positions. "Their programme is localisation," says Kennedy Donald, human resources director, "and we've been following that line."

There is a no-union policy, but staff are less deferential than their Korean counterparts, and management is careful to consult them, especially as the plant expands and brings new products on stream.

Wynyard has never had a strike. "The lines of communication are such that it would never come to that. You sit down and discuss," says Mr Donald.

For all that, cultural differences remain. Wynyard's first managing director, a Scot named Daniel O'Brien, left quite quickly after he was appointed, and, though the grounds were personal, the subsequent appointment of Mr Noh suggests Samsung was aware of the need to overcome communication gaps.

Mr Slider is cautious about discussing targets and future plans, though he says Samsung is demanding both in terms of financial controls and efficiency. Analysts in Seoul say Samsung has postponed original plans to install a chip plant on the site and it is still uncertain whether the Billingham TV plant will be shifted to Wynyard.

These decisions, like that to introduce printed circuit-board manufacture, will be taken in Seoul, though the circuit-board approval came in response to a suggestion from Wynyard's management.

As they globalise, Korean companies will at some point have to devolve more responsibility for design, product development and marketing on to their local units, but that still does not come easily to a company like Samsung that is tightly controlled from the centre. Meanwhile, Wynyard stands or falls on the quality of its production skills.

Peter Montagnon

FRANCE • by Andrew Jack in Paris

Benefits are beginning to outweigh the difficulties

It was a slow start, but the arrival of one company provided the spur

They may have been slow to get off the mark, but the Koreans are now beginning to head in force to France.

After early projects in the late 1980s, Korean investment has begun to take off more rapidly in line with the country's development over the last few years – although not without some recent highly-publicised setbacks.

Official Bank of France figures show that the flow of direct investment in the balance of payments for 1996 from Korea represented $200m. Of all Korean spending in Europe, some 15 per cent is estimated to come into France.

The statistics under-estimate the true picture, however, since they register simply cross-border information and do not include elements such as finance raised domestically for Korean companies.

According to the foreign investment delegation at the ministry of finance, there has been a cumulative total of Korean investment in France of almost FFr3bn, and the creation of nearly 3,000 jobs.

That still represents a relatively small amount compared with the traditional industrialised nations: the US is the largest foreign investor in France, accounting for one-third of the total on its own and comprising 8 per cent of industrial production. Germany, the UK, the Netherlands and Italy are also significant, and Japan is most important among Asian nations.

Among the original attractions for Korean companies was that a location in Europe allowed companies to get around quotas and dumping restrictions on imports of goods from countries outside the European Union.

But while the Japanese went in large numbers to the UK, a number of Korean businesses appeared to want to take their own independent line and make their mark elsewhere. France was a logical alternative. And once some had arrived, others naturally followed.

Hence came Daewoo initially, which remains the most important presence in France, with three existing factories and two more now being proposed, covering television tubes, microwave ovens and refrigerators. While production may have been the first priority, research and technology has followed. Daewoo has now opened a telecoms research centre at Metz, for instance.

Other Korean companies now present include Hyundai Electronics and Pacific Chemicals, which recently acquired a cosmetics business near Chartres as the basis for European expansion of its products.

For if electrical, electronic and other technical goods have proved a dominant part of Korean investment in France, another of the country's renowned strengths – that of luxury goods – has also begun to come into its own as a magnet for foreign money.

While large companies have come to build research or construction centres, many have also lured with them Korean sub-contracting companies that supplied them with such specialist services as express parcel delivery.

A further 15 Korean projects are currently under discussion in France, and there are nearly 20 representative offices of companies considering expansion in the country.

There is a notable infrastructure, with an active embassy, and a Korean Trade Centre. In 1995, Datar, the French regional development agency, even launched a Korean Investment Club, designed to help provide a network of mutual support.

The French argue that their commitment to joining the proposed single European currency (the Ecu) has become a strong reason for inward investment from Korea as from elsewhere. So has their well trained, highly productive workforce and the geographically well-centred position of France on the continent.

Equally, the more cynical point out the attractions of a range of financial incentives that are available in more impoverished parts of the country, notably in eastern France.

On the negative side, Korean business executives hesitating over investment decisions sometimes express concern about the French language, and suspicion of the degree of bureaucracy and paperwork that exists. "For people who are very enterprising and do things very rapidly, there can be a real gap when they come to Europe," says one adviser.

He highlights the rising anti-immigrant sentiment in France with accompanied high unemployment since the 1980s, and which has not helped smooth difficulties that can be experienced in quickly obtaining work permits for qualified Koreans coming to work in sites in the country.

The situation has been somewhat improved by high-level intervention by Datar and other officials, as well as the initiative announced last year by Jean Arthuis, the then economics minister, which including nominating a top level tax inspector to work specifically with foreign investors and ease their problems.

But one of the most striking recent episodes which caused a set back in relations with Korea took place in late 1996. Daewoo was a partner in the front-runner consortium chosen by the then centre-right government of Alain Juppé to acquire the state-owned defence and electronics giant Thomson. Daewoo had its eyes especially on Thomson Multimedia.

A huge backlash of public opinion – including the use of some racist images and references to Koreans forcing French employees to work like ants – set a strongly negative mood. And then the state privatisation commission ruled that the bid for Thomson was unacceptable.

"Thomson was really a cultural issue," says one official. "It had a lot of impact in Korea." The government attempted to explain that it believed the Daewoo bid was the best on offer, and that the decision was reached by a commission which operated independently of its own wishes or influence.

Nonetheless, much of the damage appears to be repaired. France's new left-wing government has argued that Thomson Multimedia will not be privatised, although Daewoo is believed to still be regarding the company with interest.

Equally, Daewoo remains a strong candidate for taking over Société Marseillaise de Crédit, a state-owned bank which made heavy losses in the past and which is most strongly implanted in the south of the country.

Its attractiveness to Daewoo is above all its focus on the Mediterranean world, and notably north Africa. While the Koreans may be interested in investing in France, they are equally keen to use it as a springboard into other countries.

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POLAND • by Christopher Bobinski in Warsaw

Autos put Daewoo on fast track

In rescuing FSO the eager Koreans created a base for attacking the east European market

Daewoo's foray into Poland's motor industry has turned the Korean conglomerate into one of the country's largest foreign investors. It has also put it strides ahead of rivals such as Hyundai and Samsung in the race for market share in the largest of the central European countries due soon to start talks on entry into the European Union.

In an investment programme totalling more than $1.6bn Daewoo is currently modernising and expanding the FSO car plant in Warsaw, the Polish capital, while at the same time developing van production in Lublin. Daewoo expects that by 2001, one-fifth of the 2.5m passenger cars it produces worldwide will be made in Warsaw. At the same time, Poland is set to become Daewoo's largest producer of delivery vans, with target capacity of 160,000 vehicles in an investment programme worth $390m.

FSO, which was born in the 1950s, was left at the outset of market reforms in 1989 with its outdated Polonez model and the prospect of closure unless a foreign investor came in.

General Motors took a long time to consider the proposition but finally baulked at the thought of giving job guarantees to the 20,000 or so FSO employees the government wanted and went on to establish a greenfield car plant in Gliwice, in the south of the country. Daewoo's chairman, Kim Woo Choong, stepped in, however, to take over FSO. Poland, for Daewoo, is part of a wider investment strategy stretching from Kazakhstan to Ukraine and central Europe.

Now FSO is acquiring a new assembly line for the Lanos saloon car as part of a $500m expansion. New production halls are being built and machinery brought in for the project which will give the factory the capacity to produce 500,000 vehicles a year, providing work for all the existing employees.

Daewoo has also taken control at the Andoria diesel engine plant in southern Poland. At the same time, joint ventures between FSO's suppliers and Daewoo's Korean partners promise to bring in a further $360m of investment into a string of smaller plants throughout the country. The company is also developing the assembly of white goods and televisions as well as building a 40-storey office block in Warsaw.

Not surprisingly, Daewoo, which was supported by the outgoing government, looks set to remain a favoured investor in the eyes of Poland's incoming Solidarity-led government, for whom the fate of the large state-owned plants where the trade union has its power base is a priority.

This is not to say that there are no problems between the neat Korean technicians at FSO and their Polish counterparts who have grown used to a lax labour routine. Many Poles shipped out to Korea for training have returned appalled at the spartan working conditions there. But the fact that the factory now has a future is appreciated at a time when job security is a paramount consideration for Polish workers.

For management there are also differences "We tend to work from nine to five to provide for our family's today and tomorrow," says one Polish manager. "The Koreans are driven to work longer hours by a sense of working for future generations as they aim to better the Japanese in a race which could last decades, if not centuries," he adds.

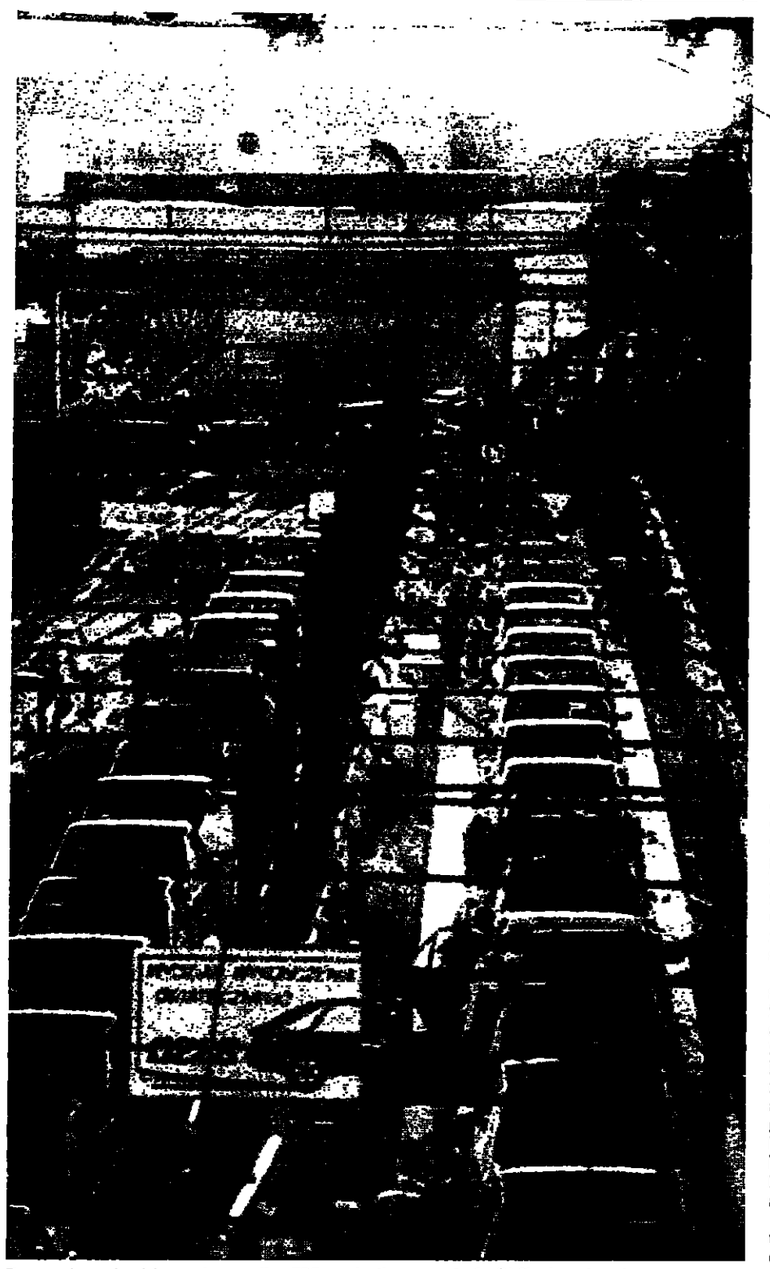
Nevertheless other leading Korean rivals, even though they have been present in Poland longer than Daewoo, are playing a much smaller role in the country's economy.

Samsung, along with Lucky Goldstar, pioneered exports of Korean televisions and electronics in the early 1990s in a drive which helped bring Poland's electronics industry to its knees. Korean sales to Poland went from almost zero in 1988 to $113m in 1990 and $290m a year later. In 1992, the Polish government brought in higher tariffs which reduced Korean exports to $120m but these recovered to reach $ 276m in 1994. Once Daewoo's car imports began to arrive last year Polish imports from Korea rose to $665m last year, and $303m in the first five months of this year.

The early 1990s also saw Samsung expanding the telephone system in Opole region in southern Poland in a $50m project financed with Korean export loans. However, when this year the company bid for the Powszechny Bank Kredytowy (PBK) a leading state-owned commercial bank, the offer was in effect rebuffed. The disappointment felt by Samsung could affect its plans to build a $400m retail, hotel and office building in the centre of Warsaw in partnership with ING Real Estate.

Lucky Goldstar has talked of making significant investments in Poland's chemical industry and refineries but has for the moment limited its activities to the purchase of a controlling stake in Petrobank, a small listed bank based in Lodz, in central Poland. Its representatives say that they would like to see the bank handling Poland's business with the eastern Asia.

Hyundai's record has also been a chequered one. The company boosted car sales in the early 1990s but then failed to follow through with a determined investment programme on Daewoo's lines which would have allowed the company to avoid high import tariffs. Last year, a half-hearted attempt to start a car assembly operation in co-operation with the listed Universal company failed as a result of resistance from the government, which by then was keen to limit competition to Daewoo, GM and Fiat, the three main investors in Poland's car industry.



Daewoo is modernising and expanding FSO production as part of a $1.6bn investment programme

GERMANY • by Graham Bowley in Frankfurt

Regulation and tax apply the brakes

The east provides the lower labour costs that the large groups seek

The flow of direct investment from Korea to Germany has faltered in recent years as Korean companies have been put off by the country's relatively high wages, sluggish growth, heavy tax burden and bureaucratic over-regulation of the economy.

According to Mr Kisub Lee, commercial counsellor at the Korean embassy in Bonn, his country's investment in Germany is still growing but at a slower rate than it is in most other European countries.

"Korean companies are coming to Germany, but only very slowly. Germany was one of the biggest countries for Korean investment, but it has been overtaken by the UK, for example, because the German situation is not so good. The tax rate is very high, and there is so much regulation. Compared to Germany, the UK is better for many companies," he says.

Mr Sung-Hwan Choi, senior manager in the international finance department of the Export-Import Bank of Korea, says it is Korea's relatively high labour costs, along with the pressures of globalisation, which have been the main driving force behind the growing size of Korean direct investment abroad.

It is not surprising then that Korean companies, eager to escape punitive wages at home, have avoided Germany, which has a bad reputation for some of the highest labour costs in Europe. Germany has lost out to countries such as the UK, or to Germany's neighbour countries in eastern Europe.

One of the Export-Import Bank's chief roles is to provide loans for Korean companies which want to move production abroad. Financing for the purpose of direct investment outside of Korea at present accounts for about $1.5bn, or 17 per cent, of the bank's total loan portfolio. This proportion has increased sharply – in 1987 it accounted for around 5 per cent of the total lending portfolio – illustrating the increasing outward focus of Korean companies.

"This reflects the increasing diversification in the Korean economy," says Mr Choi. "Our companies are looking for production bases with lower labour costs than in Korea, especially in labour intensive industries – and they are concentrating on countries like China, Malaysia, Thailand."

Mr Lee points to the fact that several Korean companies have moved established bases in Germany to the UK. "That is the trend," says Mr Lee, who adds that Hyundai considered building a base for a semiconductor subsidiary in Germany but opted instead for Britain.

However, he also stresses that Korean investment is still growing in Germany – driven by the forces of globalisation and the need to be in the largest European economy. He cites as an example the purchase last year by the Kohap group of the magnetic tapes business of BASF, the German chemicals group.

Eastern Germany is proving a particular magnet to Korean companies, perhaps because the region has on average lower labour costs than in western Germany. According to Mr Lee, Korea is the biggest investor in eastern Germany of any Asian country, larger even than Japan. The bulk of investments have been in Berlin and in the state of Brandenburg. Samsung, for example, has a large presence in the east.

"Other companies are involved in eastern Germany and they are doing very well," says Mr Lee.

In fact, many of the factors that in the last decade triggered the initial big wave of foreign investment into Germany – from Korea and elsewhere – are still present, while several other important influences may soon come into play, perhaps pointing to a better future for investment in Germany.

The German government, unions and industry are taking steps to make the labour market more flexible. In addition, foreign companies still recognise that Germany is at the centre of developments such as the European single market and European economic and monetary union. Germany might reap some benefit if the UK decides to stay outside the single currency. "That is a very big concern for Korean companies about the UK," says Mr Lee.

Unfortunately, the need to be at the centre of Europe has not always meant that companies have felt it necessary to build production bases in the Germany. Instead, they have preferred to set up manufacturing sites in cheaper locations, choosing Germany instead only for their relatively low-staffed office headquarters.

"It depends on what kind of company you are looking at. If it is labour-intensive production then it is not recommended. But for a European headquarters, Germany is one of the best locations in terms of transport links and of being central to Europe," says Stefan Schneider, an economist at Paribas in Frankfurt.

Mr Schneider points to the fact that many of the big companies in Germany are performing well at present with profits as a proportion of national income at the highest level for 25 years. "Actually, the tax hurdle may not be as high as some companies may want politicians to believe," he says.

ELECTRONICS • by Stefan Wagstyl, Industrial Editor

In search of firm ground

Groups hope to minimise trade frictions by producing in Europe

While South Korea's conglomerates spread their investments across many industries at home, in Europe they have concentrated upon electronics.

The electronics industry accounts for the biggest share of Korean investment in the continent, and the largest individual projects.

Heading the list is LG's £1.7bn complex under construction in south Wales, which includes both consumer electronics and semiconductor plants. This could be overtaken by the $1.4bn microchip plant Hyundai is building at Dunfermline in Scotland, if the company goes ahead with an $2.1bn expansion planned for after 1999.

The recent upheaval in Korean financial markets has prompted some companies to cut some investment plans.

In Europe, some groups have reduced ambitious expansion programmes in consumer electronics. Korean companies have found it more difficult to make ground in the complex European market than in the US. Also, rising labour costs in Korea mean the companies can no longer compete mainly on price as they did when entering the US in the 1980s. They must tackle European and Japanese premium brands head-on.

As Samsung, the *chaebol* with the biggest electronics business, says: "Our main competitors are Sony and Philips, not Hyundai and Daewoo."

But expansion in the big semiconductor plants continues apace. Paul Donovan, an analyst at Dataquest, the electronics markets research agency, says: "There's been something of a pulling back in consumer electronics, but not in semiconductors."

Korean companies have focused on electronics because it is an industry in which the key competitors – mainly Japanese, European and US groups – already have a global presence. Also, technological change is particularly rapid in electronics, giving newcomers opportunities to enter the market. This is especially true in semiconductors, where Korean companies have grabbed a world market share of about 30 per cent in memory devices.

Mr Yongdo Cho, an economist at Sheffield University in the UK , says: "In electronics, Korean companies have made very heavy investments and want to globalise. They feel they want to be on firm ground in the European market."

J B Chun, chief executive officer of the European arm of Daewoo Electronics, which belongs to the Daewoo *chaebol*, says it is the size of the European market which brings Korean companies to Europe. "There are lots of people who need electronics products, and we can supply them at good prices," he says.

While the first in-roads into the European market in the late 1970s and early 1980s were made through exports from South Korea, Korean companies are relying increasingly on local production. They want to minimise trade frictions over exports and they are also escaping rising production costs in South Korea. Daewoo, which produces video recorders, televisions, microwave ovens and refrigerators in Europe, assembles 90 to 95 per cent of its output in Europe. As Mr Chun says: "Korean companies have to come to Europe because the Korean market is crowded and Korean labour costs are rising."

Samsung has the most extensive European operations, with 7,100 staff and sales last year of $4bn, mostly in electronics. Its total investments exceed $700m, including its largest plant at Wynard Park in north-east England.

Although Samsung is the biggest Korean semiconductor maker, its investments in Europe have concentrated on consumer electronics, including televisions, computer monitors and microwaves. As well as Wynard Park, it has plants in Berlin, Hungary and Spain. It has had considerable success in turning around lossmaking plants, such as the Rollei camera factory in Berlin, formerly owned by the East German state.

Samsung's investment in semiconductors in Europe is limited to a joint venture in Portugal with Texas Instruments of the US which assembles and tests memory devices. Daewoo is also well established in Europe, with 5,000 staff in its electronics operations divided among 16 sales and manufacturing subsidiaries. The business, which this year is expected to turn over about $1.3bn, is composed of consumer electronics, with factories in Northern Ireland (video recorders), France (televisions, microwave ovens, and picture tubes) and Poland (televisions). A refrigerator factory is under construction in Spain.

Daewoo last year failed in its spectacular bid for the consumer electronics operations of Thomson CSF, the French state-owned manufacturer. Mr Chun says this was a disappointment but not a major setback to the group's strategy. Daewoo will continue establishing further plants in Europe, just as it had before planned to do before the possibility of buying Thomson presented itself. In particular, it is mulling further investments in white goods.

Daewoo has not made the same investments in global microchip manufacture as Samsung, or LG and Hyundai, the other leading *chaebol*. However, Mr Chun says Daewoo is considering building a $1bn-plus semiconductor plant in Europe. It is examining several possible sites, including the UK.

By contrast, Hyundai is concentrating heavily on microchips, particularly in the Scottish plant, which is due to come on stream at the end of 1998 with a payroll of about 1,000.

Elsewhere, it employs only about 120 staff in electronics in Europe, mainly in sales offices and in a modest computer and monitor assembly plant in Germany. About 90 per cent of its European business is selling imported microchips.

Like Hyundai, LG is focusing its resources on one big project. But its complex in south Wales will produce both memory chips and a range of consumer goods.

Monitor production is due to start in November, with 700 staff, and television tube output next May. The semiconductor plant is due to come on stream at the end of 1998. LG also assembles televisions and microwave ovens in north-east England, refrigerators in Italy and is setting up a joint venture for TV assembly in Poland. LKG's elec tronics sales in Europe last year totalled some $1.4bn.

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4 SOUTH KOREAN INVESTMENT IN EUROPE

MANAGEMENT • by Stefan Wagstyl

Striving for autonomy

Koreans are late starters learning international administration skills

When Samsung earlier this year decided to send some of its most senior executives from Seoul to foreign postings, it was the clearest demonstration so far of the determination of South Korean business to globalise its management.

The group admitted that it was no longer enough to rely on capable middle-level staff to run its overseas operations. That served to run the subsidiaries in North America, Europe and elsewhere, but it did not do enough to bring international influences and ideas into the core of the group's Seoul headquarters.

The personnel change reinforced moves which were already in train to decentralise decision-making. A European headquarters was set up in London in 1995.

Samsung says: "The company does not feel any need to 'keep control' of its foreign operations from Seoul. Instead, it strives pro-actively to give its European operations and managers as much autonomy as possible."

However, such policies take time to bear fruit. Mr Yongdo Cho, an economist at Sheffield University's centre of east Asian studies, says: "Korean companies are quite committed to localising companies, but they find this difficult to do. They want to show they're committed to globalising."

Korean companies are facing the same challenges as other would-be multinationals have faced in the past, including US, European and Japanese groups. Like Japanese companies, they must cope with the difficulties of operating in western countries if they are to fully exploit the big markets of North America and Europe.

The challenge is probably even bigger than it was when Japanese companies started globalising 20 years ago because international markets have become far more competitive so decisions must be made more quickly.

But at least the rapid advance of telecommunications and air travel means that Koreans breaking into new countries are somewhat less isolated than their Japanese counterparts were in the 1970s. Also, the experience of dealing with Japanese companies has made it easier for host countries to cope with their new visitors in everything from providing just-in-time deliveries to importing favourite foods.

Moreover, the biggest Korean companies, mostly founded after the second world war, are also generally younger than the large Japanese groups, many of which trace their origins to the first half of the century. As a result, the *chaebol* are still mostly headed by their original founders and/or immediate heirs. Executive power is centralised in the hands of a very few people at the heart of the *chaebol*.

From the outside, the *chaebol* still often seem to be run as autocratic empires, even though the pressures of modern business are forcing them to decentralise and involve a wider pool of executives in decision making.

Mr Cho says: "Korean companies are highly centralised conglomerates. They keep management decisions in Korea."

However, the degree of centralisation can sometimes be exaggerated. Korean companies tend to be somewhat more flexible and less bureaucratic than Japanese groups.

Chang Choi, professor of international business at City University, London, says: "Korean culture is more individual and less consensual. So it's easier to absorb non-Koreans."

A further challenge for Korean companies operating overseas is developing satisfactory labour relations.

A history of hostility and occasionally violence between some employers and some trade unions in South Korea has coloured the attitudes of Korean managers overseas. Samsung in particular has a reputation for being anti-union in South Korea, which has raised suspicions from trade unionists in Europe and elsewhere.

Samsung says it has no trade unions in Europe but promotes extensive in-house management-staff liaison. The decline in trade union militancy in the UK and elsewhere in the past decade has helped smooth the path.

Recruiting and promoting foreign staff is one of the most sensitive challenges faced by any multinational. The problem is particularly acute for Korean *chaebol* because they are late-starters in the race for globalisation. Catching up in technology is simple in comparison with the catching up in international management skills.

Foreign managers working for Korean companies in Europe sometimes complain that they are excluded from real influence by their Korean colleagues, that important meetings are held in the Korean language, and that the really significant decisions must be referred to Seoul, leaving little scope for individual initiative.

Korean companies recognise the problem.

The highest priority is put on Korean managers learning English, often during a spell at an American university or business school. JB Chun, chief executive of Daewoo's European electronics operations, says it is in the companies' own interests to promote local managers outside Korea.

Mr Chun estimates that about 70 per cent of Daewoo's managers in Europe are non-Koreans. The top 16 executives reporting to him are Koreans, but he expects that in two or three years some will be Europeans. "It takes time for people to learn our company culture. It is a slow process."

Mr Cho, of Sheffield University, says there are sometimes tensions between foreign managers and their Korean superiors. "Foreign managers don't always want to follow the exact course set down in Korea. There have been some troubles in some cases," he says.

However, Daniel O'Brien, who was managing director of Samsung's Wynyard Park complex for a nearly year before leaving for personal reasons, says working for Samsung was the same as working for any multi national. "Every company has a head office and obviously you have to report back on your performance. At Samsung it was no different from the same process at any US multinational."

Mr O'Brien is now a vice-president at NCR, the American electronic equipment company, in Scotland.



Daewoo Motors' management line-up at its Worthing Technical Centre in southern England: Ginger Ostle (design director), Ki-Sang Han (vice-president) and Jim Mason (managing director).

Photo montage by Philip Rees

FINANCIAL MARKETS • by Vincent Boland

A healthy appetite for funds

More than $2bn has been raised so far through GDR listings in London

As South Korean companies focus more on Europe as an investment location, they are also looking to European financial markets to raise the capital needed for global expansion.

One of the big Asian deals in the fourth quarter of this year is the privatisation of Korea Telecom. It is set to raise $1.25bn in an international public offering led by Morgan Stanley Dean Witter, the US investment bank. While most of the issue is targeted at Asian and US investors, 30 per cent is aimed at Europe.

Its success depends on overcoming a sharp fall in the Korean stock market and growing fears among western investors of further corporate collapses. The collapse of Hanbo and Kia, two big conglomerates, this year has damaged South Korea's image, though many analysts say its fundamental economic outlook remains good.

Korean companies are already familiar names to European investors. Some have sought stock market listings in London or elsewhere through issuing global depository receipts, while Korean issuers frequently tap the Eurobond markets. Currently, a dozen South Korean companies have taken listings on the London Stock Exchange (LSE), including some banks.

Since April last year, four South Korean banks – Kookmin Bank, Hana Bank, Cho Hung Bank, and Housing and Commercial Bank of Korea – have listed their shares on the LSE. They joined some of the *chaebol*, including Hyundai Motor, Samsung Electronics, and Pohang Iron and Steel (Posco), which listed in 1995, the busiest year so far for London listings.

The influx followed the LSE's move in August 1994 to begin listing GDRs. Exchange officials claim they are now winning business from Luxembourg, a traditional market for GDR listings, because of greater liquidity and access to a wider pool of capital.

To date, Korean companies have raised over $2bn via GDR listings in London. Posco and the Kookmin and Housing & Commercial banks each launched a $300m GDR programme, and now account for nearly half the value of Korean companies listed in London.

Trading in the GDRs is relatively heavy – $5.8bn in 1996, three times the level of 1993, according to the exchange.

Other South Korean companies are expected to follow this trend in the next few years to finance European expansion, especially into the underdeveloped markets of central and eastern Europe where they have already built up a strong presence. The rise in listings in London followed the exchange's relaxing of the rules surrounding the listing of global depository receipts in 1994. This year the LSE embarked on a big marketing drive to South Korea.

In June, the LSE and the Seoul stock market also signed a memorandum of understanding designed to "pave the way to closer co-operation between the two exchanges and encourage more Korean companies to list in London".

One of the main reasons why banks are now being seen as key targets for foreign listings is that it is difficult to raise domestic equity because of rules requiring them to maintain a certain level of dividend pay-out. This means that "if you want to raise capital as a Korean bank you are going to have to do it abroad", says Darren Sharma, Korea specialist at Société Générale in Paris.

According to figures from the French bank, the overseas liabilities of Korean banks have increased by 334 per cent between the beginning of 1994 and March this year – 68 per cent of which has a maturity of less than one year.

Institutions such as the Korea Development Bank and the Export-Import Bank of Korea (Kexim) are frequent borrowers on international capital markets (the KDB is also the biggest issuer of domestic bonds). The Korean government has not issued any international bonds, which means the debt of the KDB and the IEBK, both state-owned, trades as quasi-sovereign issues.

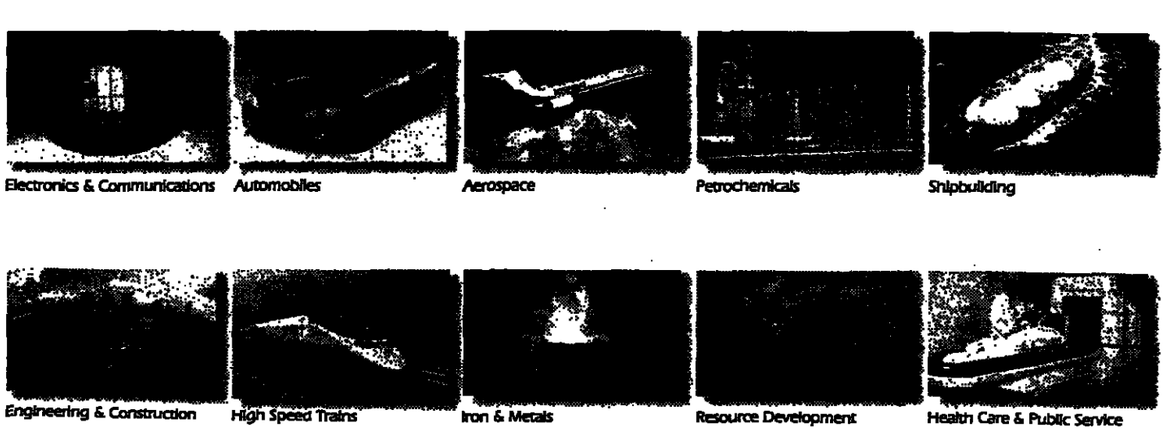
KDB, in fact, has taken the lead in the international markets, launching the biggest Korean financial institution bond – for $750m – in 1996, and a bond in June this year with built-in protection against a ratings downgrade, which analysts say is the biggest short-term risk. KDB is currently rated A1 by Moody's and AA- by Standard & Poor's, at the country's sovereign ceiling.

However, in the wake of the crisis sparked by the collapse of the Hanbo steel group earlier this year, spreads on Korean bonds have widened considerably, despite the country's generally favourable economic fundamentals. The spread on the KDB's benchmark bond has widened from 60 basis points over the relevant Treasury in January to over 120 points now.

Fund managers say that domestic worries are casting a cloud on Korean equity and debt issues. Pricing is becoming difficult for equity and convertible offerings, with the volatile domestic equity market making potential investors nervous. Kexim launched a DM500m bond in September, with one member of the underwriting syndicate describing Korean bonds as "a little bit of an adventure at the moment".

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COPPER

From computers to cars, the modern world's appetite for copper is as healthy as ever. **Kenneth Gooding** reports

Ancient metal much in demand

Copper may be the most ancient of metals but the modern world could not function without it.

Only three weeks ago International Business Machines said it had achieved a breakthrough in the manufacture of computer chips by using copper instead of aluminium for the metallic circuitry linking transistors on a semiconductor. IBM said the use of copper would enable it to fit more computer logic on chips for mobile telephones, hand held computers and a wide range of new electronic products.

Of course, the chips are so small that even when millions are being produced it will make very little difference to total copper demand. But many other things considered to be necessities for a civilised existence absorb huge quantities of the metal.

Switch on a light and it works, almost certainly, because copper wiring is carrying the current. Turn on a tap and there is a good chance the water will flow through copper pipes.

So copper is still one of the most useful materials dug from the earth. Its malleability, conductivity, ductility and, in alloy form, its tensile strength and corrosion resistance make it an extremely versatile metal.

When alloyed with zinc to make brass it is ductile enough, when hot, to forge into intricate shapes for valves and taps yet, when cold, it has such good machining characteristics that it is used as the standard by which the machinability of all other materials is judged.

Developing countries need copper if their economies are to grow – for plumbing, telecommunications and so on – and developed countries absorb huge quantities in consumer goods and vehicles.

Demand for copper has been increasing strongly on the back of economic growth in Asia. Supply is assured as big new mines have been developed, particularly in South America.

"There has been a reluctance to recognise the improving prospects for copper demand, perhaps through unwillingness to accept that the most ancient of metals still has a central role to play in the most modern technology and that copper is as necessary as the current that it carries," suggests Martin Thompson, commercial adviser to Rio Tinto, the world's biggest mining company.

"In general, the greater the demand for electricity – and with the proliferation of electric equipment of all sorts its growth is not in doubt – the greater the demand for copper. And this has been demonstrated by its performance in recent years."

Today, even conservative forecasters suggest that copper consumption is growing at an annual 3 per cent. A decade ago half that rate was thought to be optimistic.

In 1987 the world was still suffering from the shocks generated by two oil supply crises. These hit international trade hard. Copper was also suffering as many items were "downsized", or made smaller. Technological breakthroughs allowed the wall of copper tubing to be made much thinner and thinner wire was used for electrical applications. Substitution of copper by other materials was taking place. It was difficult to be particularly optimistic about the outlook for the metal.

However, most of these were one-off changes. Since the late 1980s world trading conditions have been good and developing countries have prospered.

In industrialised countries the introduction of air conditioning absorbed huge tonnages of the metal.

Also, in the past 10 years the US, the most advanced economy, showed a healthy appetite for copper-using gadgets. For example, while copper suffered at first from the substitution of aluminium for car radiators, the amount of copper in cars continued to grow because of the numbers of electric motors needed in modern vehicles – to raise and lower windows, for rear screen and headlight wipers, to raise radio aerials and even to propel car seats backwards and forwards.

The copper mining and smelting industries have struggled to keep up with rising demand. There were substantial unexpected cuts in production caused by political turmoil in Africa and Papua New Guinea. Output from the copper belt that straddles Zambia and Congo (formerly Zaire), one of the principal suppliers in the past, has dropped dramatically and the big Bougainville copper mine in PNG was completely shut down.

Memories of poor profitability in the 1970s and 1980s remained strong in the minds of executives at the mining houses in North America and Europe so they were reluctant to move ahead with new projects. In any case, it can take 15 years from the discovery of a mineral deposit to the day that the first metal is produced. The investment can be huge, particularly in smelting capacity – a new smelting-refining complex will cost more than US$1bn.

Nevertheless, in the early 1990s, when confidence returned, many substantial copper projects were started and many more are on the way. Most of these projects are in Chile which in the past 10 years has overtaken the US as the biggest copper producing country.

Chile is steeped in copper mining tradition. The state owned Codelco group remains the world's second biggest producer, accounting for 14 per cent of the global total last year, and by a happy coincidence Chile switched to a democratic political system at a time when the world's need for its copper was growing fast. The new political environment and Chile's economic stability, coupled with the government's willingness to accept investment from foreign mining groups, sparked an exploration boom.

Chilean copper output increased by 24 per cent, or 604,000 tonnes, to top 3m tonnes last year, about one third of total western world production. Much of last year's increase came from Escondida, a mine that Broken Hill Proprietary of Australia and Rio Tinto, the Anglo Australian group, brought into production six years ago and which has become the world's biggest copper mine, overtaking Codelco's Chuquicamata.

Present mine projects are extending Chile's lead as the biggest primary copper producer. Its net annual production capacity is scheduled to increase by 1.2m tonnes by 2000. The biggest addition will come from Collahausi, at Ujina, near Chile's border with Bolivia, owned by Falconbridge of Canada and Minorco, part of the Anglo American Corporation of South Africa. Collahausi is scheduled to start up in 1999 and produce an annual 330,000 tonnes of copper.

Elsewhere in the world, the Grasberg mine, in the remote highlands of Irian Jaya, Indonesia, might one day overtake Escondida as the world's biggest copper producer. Grasberg last year produced 504,000 tonnes of copper and this may be expanded to 800,000 tonnes by 1999. Grasberg is owned by Freeport Copper & Gold, a US company in which Rio Tinto has a substantial minority holding.

In contrast with this boom in new mines, changes in smelting and refining capacity have mainly been limited to expansions at existing plants. Rio Tinto has built a new smelting-refining complex at Salt Lake City, near its big Bingham Canyon copper-gold mine, but this is replacing existing plant.

Also, there has been rapid growth of a relatively new technology, solvent extraction-electrowinning (or SX-EW), which dramatically lowers production costs by eliminating the need for a refinery. Unfortunately for the industry, not all copper ore is suitable for SX-EW treatment but of the 376,000 tonnes of extra copper mined last year, 45 per cent was "electrowon".

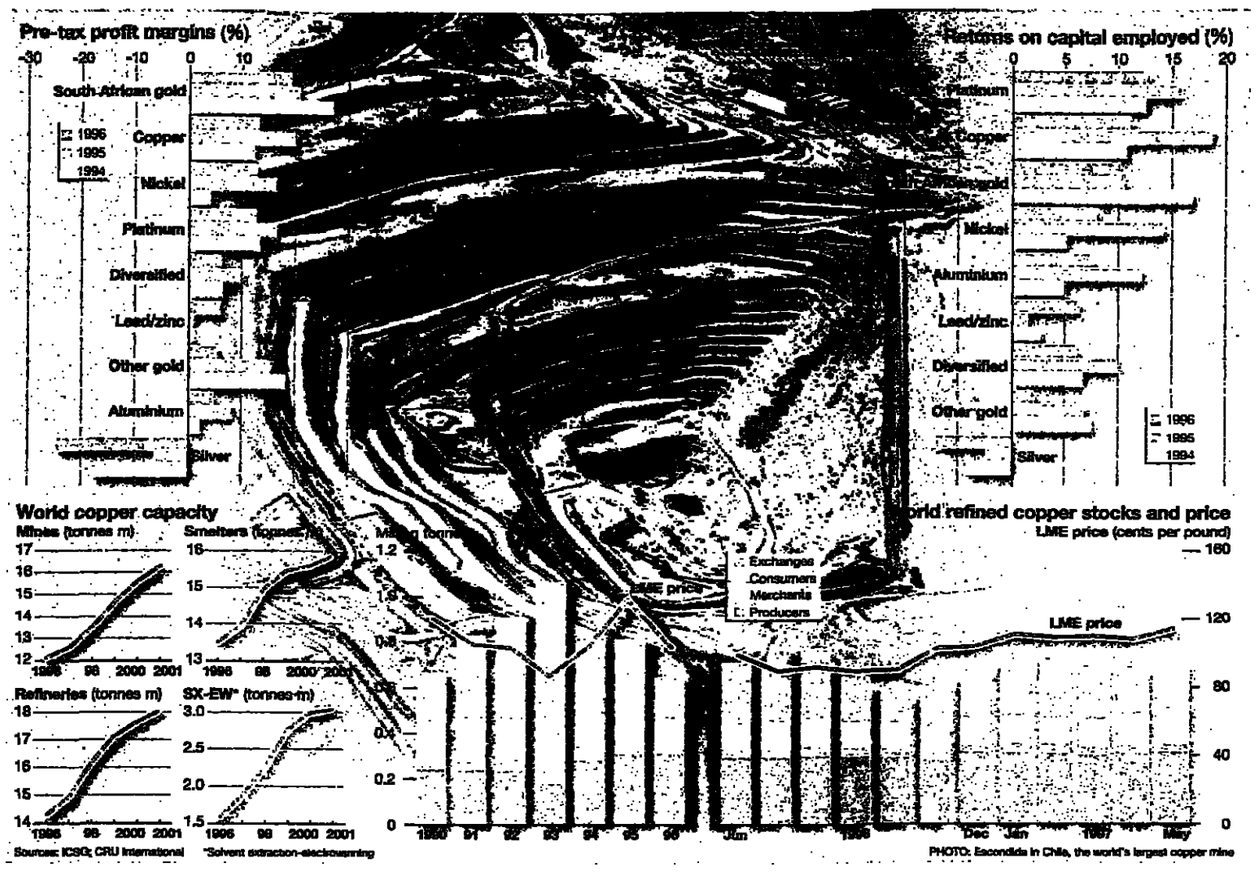
The importance of SX-EW cannot be over emphasised. It is bringing costs down, enabling producers to survive much bigger dips in price, and will make a lasting contribution to the industry.

On the other hand, events last year that caused the biggest drama the copper market had ever experienced will almost certainly fade quickly away. On June 14, 1996, Sumitomo of Japan announced it had sacked its chief copper trader, Yasuo Hamanaka, because he had lost US$1.8bn (later revised upwards to $2.6bn) by unauthorised trading.

Worries about whether Mr Hamanaka had built up a great stock of copper that would have to be sold off quickly bore heavily on prices at the London Metal Exchange, the world's primary metals market. Most copper contracts signed anywhere in the world make reference to LME prices. From a peak of 129 cents a pound in May, the copper price fell to 85 cents in June, a drop of 35 cents, or nearly 30 per cent.

Amid all the turmoil, however, the LME's copper stocks continued to fall and within a year the price was back at the level it had achieved before the Sumitomo crash.

"The importance of the Sumitomo debacle was greatly exaggerated, at least as far as the copper industry is concerned," Mr Thompson insists. "It is likely that any lasting effect on the copper market will be modest."



Sources: ICSG; CRU International

PHOTO: Escondida in Chile, the world's largest copper mine

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FINANCIAL PERFORMANCE • by Kenneth Gooding

Prices fell, not performance

Indications point to 1996 being a good year for the industry, but not a great one

Copper mining has been very rewarding financially in the past two years. In 1995 copper producers ranked first among the metals sectors, whatever financial criteria was used. The industry failed to maintain this ranking last year but generally moved down to no further than second place.

Even though copper prices fell on average by 22 per cent last year from the 1995 level – a bigger drop than for any other metal – tight cost control protected the sector's aggregate performance.

South African gold producers had higher operating and pre-tax profit margins than copper producers in 1996, while South African platinum producers had higher financial returns.

Nevertheless, copper was still a better business to be in than aluminium, lead-zinc, nickel or silver production, while copper companies were also more profitable than diversified suppliers and non-South African gold producers.

All this can be seen from comparisons provided by the CRU International consultancy in its World Minerals Financial Review. This assesses the world mineral industry's financial performance and sets it in a medium and long-term context by presenting the statistics in a way that mimics one of the larger mining company's annual reports.

There are 30 companies in the CRU copper sector sample that are now, or at one time were, primarily involved in copper production, ranging in size from the US and Chilean majors – Phelps Dodge, Codelco, Cyprus Amax and Asarco – through medium-sized groups such as Norddeutsche Affinerie, KGHM and ZCCM, down to quite modest suppliers such as O'okiep, Princeton and Aur Resources.

However, seven of the companies in the sample have not yet reported for 1996 (Gecamines of the Democratic Republic of Congo, formerly Zaire, has not yet reported for 1995) but most of them are small companies and their combined turnover is likely to be less than 10 per cent of the total.

CRU says that, following the fall in the average copper prices last year, it comes as no surprise that virtually every big copper producing company was less profitable than in 1995.

As copper production increased by 8.3 per cent in the western world, however, the industry's turnover did not fall as far as prices. CRU estimates that the industry's aggregate operating revenue fell by 15.2 per cent to $21.65bn.

Operating costs were also cut in 1996. Unit operating costs were reduced by 13.5 per cent to $18.44bn.

As a result of this restraint, last year's profitability held up reasonably well. At all levels, the industry's profits were down from the heady heights seen in 1995 but were ahead of the results for 1994 and substantially better than the poor figures for 1993.

The industry's bottom line – net earnings after taxes and all charges – showed a profit of $1.2bn last year, down from $2.1bn in 1995 but slightly ahead of the $1.18bn for 1994. In 1993 the industry's net earnings were only $282m.

CRU points out that only three companies have so far reported a loss at the bottom line for last year. ZCCM's $156m loss was particularly significant, however. At the other extreme, Phelps Dodge and Codelco between them accounted for 70 per cent of all copper producers' bottom line earnings in 1996. "Codelco's performance was perhaps the most noteworthy in that it contrasted with a bottom line loss (of $13.4m) in 1993," says CRU.

The copper sector's aggregate return on capital employed was 11.1 per cent in 1996, down 7.6 points from 1995 but still some way above the 3.4 per cent of 1993. Only ZCCM, KGHM and Gold Fields Namibia deteriorated on this measure in the last three years. However, Southern Peru Copper Corporation and Phelps Dodge's returns slipped last year.

Returns on shareholders' equity averaged 7.5 per cent in 1996, down from 13 per cent the year before but up from 1.9 per cent in 1993. At 38 per cent, the industry's gearing, or debt to equity ratio, was the highest figure CRU has recorded since the statistics were first collected and analysed in 1986. "Not too much should be made of this, since gearing in the copper sector has historically fluctuated only within a narrow range," says CRU.

It adds: "Freeport Copper and Cyprus Amax might be the only companies with worries on this score. Indeed, even though gearing at Freeport ended last year at 77 per cent, it could be argued that this was not excessive given the company's high profitability and historical earnings growth. Cyprus' increased gearing might, however, present more problems if the assets it has purchased through debt fail to perform."

World Minerals Industry Financial Review from CRU International, 31 Mount Pleasant, London WC1X 0AD, England. £850.



Copper top: The industry is promoting versatility and aesthetics to maintain demand in traditional markets such as construction — Grant Smith

SUPPLY • by Kenneth Gooding

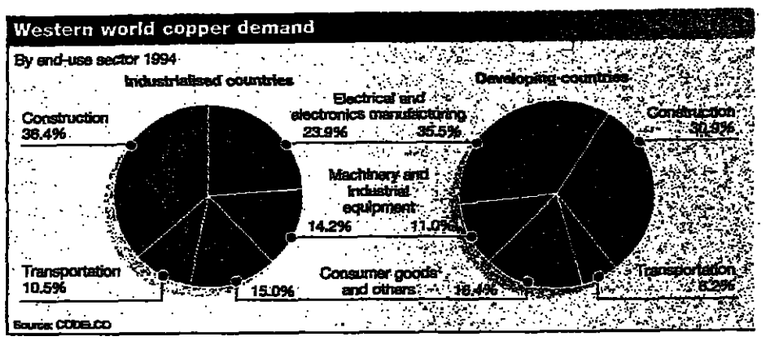
Bulls in need of China shop

Industry optimists see consumption in China staving off global copper surpluses

Opinion among analysts, forecasters and other observers about copper's prospects is more than usually divided at present.

The bearish, or cautious, view is that there might be a tidal wave of new production breaking over the market, bringing with it a big supply surplus starting next year.

The bullish, or less cautious, view is that annual copper consumption is growing by as much as 5 per cent while the anticipated rise in production will be flattened out by start-up delays and delays in reaching full capacity – such as those frequently experienced by plants using the new solvent extraction-electrowinning technology.



Some of the most consistently accurate forecasts of copper supply and demand in recent years have come from Asarco, the world's fourth largest privately owned copper producer. It has never been willing to accept the growing consensus that there was to be a big surplus of the metal before 2000. Nevertheless, at the end of September Asarco became less bullish as it revised its forecasts in the light of slowing economic growth in Asia.

Whereas Asarco previously was expecting a supply deficit of 53,000 short tons (2,000 pounds each) this year, it is now predicting a small surplus of 15,000 tons.

Next year's forecast deficit will also be lower than Asarco had suggested earlier this year, 108,000 tons against 149,000 tons.

Asarco has broken with its habit of forecasting only one year ahead and is now offering predictions to 2000. It sees a supply surplus of 77,000 tons in 1999 and a deficit of 10,000 tons in 2000.

Richard Osborne, chairman, told a Morgan Stanley Dean Witter Metals Conference: "For 1997 and the next three years this adds up to a net deficit of 26,000 tons, a far cry from the wave of surpluses we've been hearing about since 1993. We think copper's fundamentals remain strong and we are optimistic about its future."

He said Asarco's forecasting team had cut growth projections for south east Asia by 140,000 tons, or 9.1 per cent, in 1997 and 110,000 tons, or 7.7 per cent, in 1998. Asarco now expects western world copper consumption to increase by 2.9 per cent this year and by 3 per cent in 1998. Annual growth of 3 per cent is expected in 1999 and 2000.

"This estimate is significantly below the 3.8 per cent growth in western world copper consumption over the last five years or the 3.4 per cent growth in the past 10 years," Mr Osborne pointed out. "During the latter period, the world saw three recessions in major copper consuming countries, a tidal wave of metals exports from the CIS and a shift to other materials in several major markets, such as automobile radiators and telecommunications long lines."

Asarco sees copper "available to the west" increasing from 12.6m tons in 1997 to 14.5m tons in 2000, a compound growth rate of 4.7 per cent. It expects exports from the former Soviet Union and Poland to remain flat.

Mr Osborne said Asarco was more bullish than most because many other analysts underestimated China's influence on copper consumption. "We believe Chinese consumption will increase by more than 10 per cent a year through 2000 based on official Chinese estimates of an 8 per cent annual gross domestic product growth. Actual GDP growth rates in China have been substantially in excess of that in recent years."

China had smelting and refining capacity substantially in excess of its present mining capacity, so much of its growth in copper consumption would be supplied by imports of concentrate, blister (intermediate materials) and scrap, in addition to increasing amounts of refined copper.

Peter Hollands at Bloomsbury Minerals Economics, a specialist copper consultancy, goes as far as to suggest the London Metal Exchange copper price depends on the behaviour of the Chinese Strategic Reserve Bureau. "The SRB is in effect operating a buffer stock, trying to keep prices above roughly 95 cents a pound (US$1,984 a tonne), as below that level many Chinese producers suffer badly, but below 110 cents ($2,424), as above that level imports become too expensive," he says.

"If that is correct, then to keep prices in that range, they would need to keep LME stocks between, say, 225,000 tonnes and 325,000 tonnes. Our calculation suggests they could do this without raising SRB stocks much above their mid-1994 level of around 225,000 tonnes. So it is probably achievable," says Mr Hollands.

BME attracted considerable attention recently because it devised a new method of analysing the copper market after it became frustrated about apparent contradictions in official statistics.

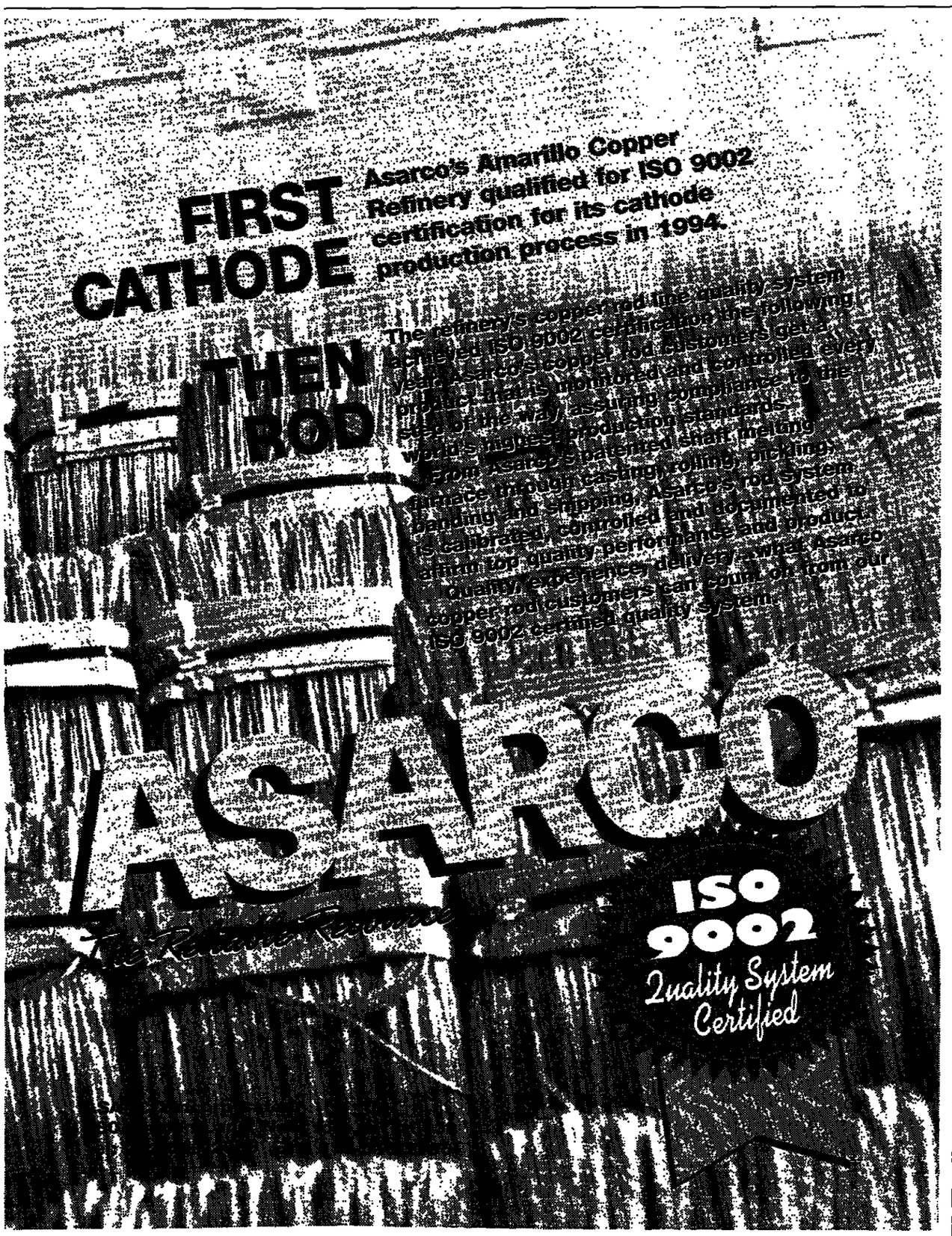
Mr Hollands says the technique, requiring tremendous attention to detail, involves first looking at global production and consumption figures, not just at those for the western world.

Allowances are then made for material locked up in essential working stocks, for government stockpiling, or for disposals and finally the net result is achieved - "the balance as actually experienced in the market place," he says.

Mr Hollands suggests that it is no longer possible to calculate the western-world copper market balance because there are no data for the physical transfer of copper between east and west, there are only customs clearance data.

He points out that the "tidal flows backwards and forwards" between LME bonded warehouses and the SRB's bonded warehouses in China do not involve customs clearances at either end and therefore go unrecorded in the official trade statistics.

"Western world balances have become so approximate and so subjective that they have ceased to be analyses at all. They are just the expressing of opinions," Mr Hollands says.



KGHM steps up its presence in London

KGHM Polska Miedz S.A. - Polish copper mining giant is stepping up its presence in London. This follows the recent simultaneous flotation of the Company in London and Warsaw.

KGHM Polska Miedz S.A., with its output of 425,000 tpy, is the biggest copper producer in Europe and the fifth in the world. Refined silver (99.99 purity), produced by the company (around 30 million troy oz p.a.) as a by-product, gives it first joint place (with Penoles of Mexico) as a world leader. The company is one of the biggest in Polsnd in every aspect (turnover, profits, export earnings) and a major force in the Polish economy.

After over 5 years of debates if and how to privatise this jewel in the crown of Polish economy, the company was finally floated in Warsaw and London on 10th July this year. Out of 200 million of company shares 35.7m were destined for the London Stock Exchange where they trade as Global Depository Receipts (GDRs), 30m were sold through the Warsaw Stock Exchange, 30m are to be allocated to the employees of the company. The rest remains for now in the hands of the State Treasury. The IPO was the biggest privatisation in Poland so far.

London outpost of the company - KGHM Polish Copper Ltd - is not new. It was established here in 1991, when the copper producer cut out the third parties and created its own sales structure. For 6 years this City company (previously known also as KGHM Polmet Ltd) was trading physical copper with all of Europe and beyond and was very active in LME operations, generating additional profits for the parent.

With the flotation of its only shareholder the role of KGHM Polish Copper Ltd dramatically increases. Apart from its traditional function of a physical trader and LME operator, it takes on board an investor relations role. In fact it has always been the first point of contact in the City for many trade and investor clients alike. It's excellent location near Moorgate, helpful and knowledgeable staff and long experience of its directors makes it a venue of choice for many with an interest in KGHM. A good deal of a year-long preparatory work which led to the flotation was also conducted here with active participation of the directors. The small, but efficient, team was strengthened last year by an addition of two new Polish directors, which reflects the growing role of the company in a corporate structure. Video conferencing linkage currently being installed will further integrate London and Lubin (where the mines are). Offices in Moorgate are also a school of a kind - 1 or 2 trainees from the parent company are always supporting the trading team. Needless to say that in October - during the LME week when the whole copper world descends on London - KGHM Polish Copper Ltd becomes the hub of activity for the whole group.

If you have an interest in KGHM - this Polish success story of the nineties and want to know more about KGHM Polish Copper Ltd or its parent, either visit their website, www.polishcopper.com, call +44-171-628 98 48 or fax +44-171-628 7204. Or, if you are lucky, you may stumble across one of their speakers at numerous international conferences and seminars. They were spreading good news about KGHM at 8 such events in the last 12 months and there is more to come. So ... watch this space.

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Construction & electricity: the fight against competition is being led by new applications, says **Michael Peel**

New tricks make material difference

Versatility and aesthetics are to the fore as copper battles in the building sector

As demand from the construction industry for copper has been eroded by competition from other materials, the copper industry has responded by trying to develop niche uses in markets which will provide consistent demand for the metal.

Products used in construction account for about 30 per cent of the 13m tonnes of fabricated copper manufactured each year. Of the 1m tonnes used for building in Europe, about 60 per cent is incorporated in plumbing systems, while another 25 per cent is used for roofing.

The industry faces a battle to protect its status as the material of choice for European plumbing systems.

Between 60 and 90 per cent of European pipe networks are made of copper. "We are seeing a significant challenge in most countries from plastic and, to a lesser extent, from stainless steel," says Brian Moreton, chief executive of the European Copper Institute.

"We have to say that there is now quite a significant competitive battle between plastic and copper. But copper is holding its own and in many countries we are increasing market share. At the moment, we see ourselves as offering a superior product in terms of a trouble-free and long service life and we believe we have the edge on plastic in terms of total installation costs."

It is important that the industry burnishes the image of copper at a time when many Asian countries are looking to install plumbing networks as part of extensive infrastructural investment. Simon Payton, secretary general of the International Wrought Copper Council, says: "In Western Europe the focus is on south-east Asia in particular but we shouldn't forget the potential of India."

As sections of the population in the developing south-east Asian nations have become wealthier, the demand for luxury goods, such as air conditioning systems and refrigerators, has increased.

Heat exchangers for these products are often made of copper but the metal faces competition from aluminium. "People are looking for something which is compact, efficient and cost effective to run so copper edges out aluminium on that basis," says Mr Moreton.

In the automotive industry, copper has lost out to aluminium, which most manufacturers use for car radiators to save space. Mr Moreton thinks this attitude is short-sighted: "We still have a job to do on the automotive industry to convince them that copper-based products in cars weigh less than the aluminium version. Aluminium is smaller but by the time you have the water in the overall system weight can be higher for aluminium than for copper."

Copper faces a battle against stainless steel for the favours of the offshore industry. Copper is more expensive but tends to last longer.

Tungum Hydraulics has supplied Shell/Royal Dutch and British Petroleum with Tungum, its copper alloy. It says many engineers are too conservative to consider switching to copper-based construction materials. "There is nothing new in the use of copper alloys where maintenance-free resistance to sea-borne corrosion is required," says Tim Clark, marketing director.

"Tungum alloy has been around for 60 years and was developed specifically to weather the effects of seawater, spray and salt-laden atmospheres."

Mr Clark claims that Tungum lasts four times as long as stainless steel, more than offsetting the price difference.

With copper facing fierce competition from other metals in many of its established markets, the industry has looked to generate demand in sectors which are minor users of the metal.

Copper sprinkler systems have grown in popularity with companies which have had to install them unexpectedly to comply with safety legislation because a copper network can be bent and shaped to fit the aesthetics of a building.

The new Globe Theatre in Southwark, London, used copper to allow it to install a sprinkler system which did not visually impair the building.

The use of copper for architectural roofs has also grown significantly in recent years. The metal has been used in countries such as Germany and Japan, where traditional roofs are popular, and in some new buildings in the US.

The use of alloys of copper in interior decoration has also increased. Mr Moreton says: "People respond well to the warmth and colour of brass so we are seeing people using it more and more to add to the quality of a building. We also see it as a way of keeping a positive image of copper in front of consumers."

Mr Payton says there is little money to be made in making commodity copper products for the construction industry. "It's a very competitive industry - there is a certain amount of overcapacity and therefore we have got to be pretty nimble to make money out of the commodity product side of the business.

"If we can combine volume products with high added value sectors then those are going to be the winning products from our point of view."

Copper the currency for wire service

Old uses in new markets and new uses in mature markets will maintain demand

Producers of copper electrical components have decided that the future lies in Asia, where developing countries are building extensive electricity networks.

Meanwhile the industry is trying to preserve its share of mature markets by demonstrating that it is still viable to use copper for telecommunications.

Electrical products account for about half of the 13m tonnes of fabricated copper that is manufactured each year. About 5m tonnes of copper electrics are sold in the mature European, US and Japanese markets.

The remainder goes to Asian countries other than Japan. China alone consumes about 500,000 tonnes annually - a figure that has been growing by between 6 and 12 per cent each year. "We have major growth opportunities in Asia," says Brian Moreton, chief executive of the European Copper Institute.

"We have an enormous new industrial nation in China, so there is an enormous demand for underground and overground systems and cables."

The ECI argues that countries developing their electrical infrastructures - such as India, Thailand, the Philippines, Malaysia and Indonesia - should use large diameter copper wires as standard for maximum safety and energy efficiency.

The electrical resistance of a wire is proportional to the square of its radius. The greater the resistance, the greater the energy loss.

The ECI hopes to persuade developers in China to use larger diameter wires. "They make a very thin copper wire carry a heavier current than we would in Europe," says Mr Moreton.

"We are promoting the advantages of copper for electrical efficiency purposes. This means larger cabling - that would perhaps represent a 5 to 10 per cent increase in copper usage."

The industry is trying to increase sales of electrical cables in Europe by arguing that offices need to use more copper to reduce the risk of computer data loss. "Computers cause electrical problems which can result in the power supply being tripped," says Mr Moreton.

"We have had situations where everything has closed down in highly computerised offices. You have to use more copper contacts in your cabling system to prevent this."

The ECI also sees a significant future use for copper in office communication. Mr Moreton says it is premature to say that copper has been replaced by fibre optics as the material of choice for telecommunications systems. "We have been through a period where everyone has written off copper but the situation is not as bad as has been reported," he says.

"Fibre optics are primarily designed for very high density long-distance traffic but not for local traffic within a business."

Fibre optics conduct light impulses which are converted back to electricity by special - and expensive - transformers. The ECI argues that it is most cost effective to place a single transformer at the edge of the building and to conduct the resulting electricity around the premises through copper wires.

Some 70 per cent of telecommunications cables are within buildings. "We still have the majority of telecommunications within businesses," says Mr Moreton.

"Although we have lost market share there has been an increase in the amount of telecommunications so we haven't seen the enormous losses that had been forecast."

Simon Payton, secretary general of the International Wrought Copper Council, says the future for copper lies in local communication systems. "Although the revolution in the telecommunications industry has changed the nature of telephone lines, people are demanding more and more phones in their houses and that will need copper cables. Also datacables used in local area networks and office buildings will be copper."

Copper wires can now be used to carry images as well as phone calls. Mr Moreton hopes this will help copper to challenge fibre optics for the domestic communications market. "This means that for homes you can do everything with a copper wire that you previously needed fibre optics for. We think that kind of advance will help us stave off competition from fibre optics for 10 to 15 years."

TRANSPORT • by Charles Batchelor

A metal to move with the market

For centuries, copper has been a vital component for travel by land, air and sea

Copper plays a crucial role in meeting the needs of the transport sector. It has widespread and growing applications in the electrical systems of cars, trains and aircraft while its ability to resist corrision guarantees its use at sea.

Nine per cent of the copper produced goes into the vehicle industry and some of the 15 per cent which goes to the electrical industry also ends up in cars, says Christoph Geyer, head of marketing at KM Europa Metal, the largest world processor of copper and copper alloys.

Copper's qualities as a conductor of electricity and its durability in hostile conditions have made it a natural choice in many applications. Nelson's victory at Trafalgar owed much to his copper-bottomed ships, which could survive months at sea blockading ports and yet still put on a fast turn of speed when called upon to fight.

The variety of electrical systems to be found in the modern car has created a growing market for copper wiring and connectors. Some of the larger top-of-the market cars have as many as 100 electrical motors while the average family car will require 1km of cable containing about 15 kilos of copper.

"The use of copper in cars follows a zig-zag line," says Vin Callcut, technical director of the Copper Development Association. "It goes up as the manufacturers put more in and down when they miniaturise. But the long term trend is up."

The wiring harnesses which go into cars represent the second most expensive component after the vehicle's steel frame, according to Mike Lawson, general manager of Lucas Rists, which uses more than 7,000 tonnes of copper a year, primarily in car wiring assemblies.

One traditional use of copper in vehicles – in radiators – has been much reduced in recent years by the advent of the aluminium radiator, which has the advantage of being lighter than the existing copper product, though the industry is fighting back with a new design.

A new lightweight copper radiator is being developed with thinner fins and narrower brass tubes which, in turn, will reduce the amount of coolant needed.

In the air and rail sectors, copper is applied in the increasingly sophisticated electrical systems of aircraft and trains. The hydraulically powered landing gear of aircraft also rely on copper tubing.

An important rail use is in the overhead wiring or catenary. The progress of a 300kph train puts enormous stresses on the catenary, throwing up a "wave" in the wire 500 metres ahead of the train. To prevent the train losing contact, the catenary has to be tightened, reducing the life of the wire. KM Europa is working on a new alloy to extend the life of overhead wiring, says Mr Geyer.

Copper-bottomed wooden ships may have been relegated to maritime museums but copper is finding new uses on some small boats, including yachts and fire boats. Despite some substitution by steel, copper-nickel alloy is also used widely in the tubing of steam turbines, in hydraulic steering systems and in ships' desalination units, says Simon Payton, secretary general of the International Wrought Copper Council.

The challenges to copper from lighter or cheaper rivals, such as aluminium and steel, will not go away but the increasing sophistication of the electrical systems for most forms of transport suggests growing demand for the metal.

"Products are already judged according to their environmental values", Matti Koponen, Outokumpu's Vice President – Environmental Affairs, notes. "And not just the products themselves, but even how their raw materials – including metals – are manufactured. I am convinced that increased responsibility can be a beneficial sales argument for metals and related technology. If that's true for us I'm sure the same goes for many of our customers' products as well."



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CHILE • by Elizabeth Love in Santiago

Codelco in search of clear vision

Chile's main producer fears a marketing myopia is threatening the industry

After decades of taking copper demand for granted, Chile's state copper giant is waking up to the need to get over its "marketing myopia" and actively promote the versatile metal worldwide.

"The consumption of copper on a world scale could grow enormously," says Marcos Lima, executive president of Codelco the state copper corporation, which produces 15 per cent of the world's supply of the metal.

But, as existing copper mines expand their output through electrowinning and new mines enter production, Mr Lima predicts that supply will exceed demand in 1998 - a trend that could last until the year 2001.

The push to actively market the metal and increase research into new uses which could prevent a surplus would, ideally, include all producers in an international campaign co-ordinated by the International Copper Association (ICA). The ICA was set up for this purpose but has done little for lack of resources.

Mr Lima argues that recent figures reflect "the marketing myopia of the copper industry" which generates $20bn-$30bn in annual sales, earmarks $800m for exploration and allots only $30m-$40m to promote and defend its markets.

"It doesn't make sense," he says. "But what we are proposing is not a simple thing, rather it is changing the mentality of the industry. We are in a market where we are all on the same side of the table"

Codelco currently owns the world's largest copper reserves, amounting to 20 per cent of known copper deposits worldwide. And Chile boasts almost 40 per cent of the copper reserves of the planet.

Over the past seven years Codelco has streamlined operations and cut costs. In 1988 a pound of Codelco copper cost 63 cents to produce while today the figure is 49 cents a pound. Personnel at Codelco's mines have been cut from a high of 28,000 in 1990 to 18,000 today.

But the future does not lie with efficiency savings alone, new markets must be found and nurtured. If demand could be fostered in developing countries, particularly China and India, the expected oversupply of copper would quickly disappear.

Codelco figures show that during the years 1974-1994, annual demand for refined copper increased 1.2 per cent in developed countries and a whopping 7.8 per cent in developing countries. Predictions for 1994-2000 place the increase in demand from developed countries at 1.6 per cent against 5.5 per cent for developing countries.

Key to making the new marketing approach work are the private foreign mining companies which now account for more than half of Chilean production. Last year the private sector produced 1.38m tonnes of copper in contrast to Codelco's 1.22m tonnes. While 90 per cent of the private mines in Chile are foreign operated, the next big mining investment, Los Pelambres, will be Chilean owned.

Located in the central region of Chile, Los Pelambres is controlled by Anaconda Chile, the mining arm of Antafagosta Holdings. The latter is a British company quoted on the London stock exchange and controlled by Chile's powerful Luksic Group, which will retain 60 per cent of the Pelambres project. The remaining 40 per cent has been sold to Japanese partners: the Nippon Mining Group will acquire 25 per cent and the Mitsubishi Group will acquire 15 per cent. The main investors in these groups form more than 50 per cent of the total smelting capacity of Japan and are important copper merchants worldwide.



Big impression: Chile's Collahuasi copper mine — Marcus Lyon/Minorco

The initial investment is more than $1.3bn. Los Pelambres will mark the second biggest investment in Chile since the beginning of the century. The first is the Collahuasi mine, owned by Minorco of the Anglo American Group and Falconbridge (Canada), which required a $3bn investment and is expected to produce 380,000 tonnes of copper per year.

Production at Los Pelambres is expected to begin in 1999 with an initial output of some 230,000 tonnes of copper per year. The mines' full capacity is estimated at 700,000 tonnes per annum of concentrates, making it Chile's third biggest producer.

Still pending, however, is approval for the Environmental Impact Statement (EIS) on the mine, which is expected shortly. Jean Paul Luksic, chief executive officer of Anaconda Chile, says $200m of the investment went toward ameliorating the environmental impact of the mine.

"At first the communities near the mine had an emotional reaction but then they realised that it would have no negative effects," says Mr Luksic. Hingeing on the approval of the EIS is a $934m dollar loan the company has secured to finance the project.

Meanwhile, other foreign investors are waiting apprehensively to see whether two Chilean congressmen will go ahead with a proposed production tax on private copper mining operations.

The two senators, from parties belonging to the ruling government coalition, say their proposed tax could go as high as $300 per ton and would be used to promote new technology and develop the regions most dependent on mining activity.

The talk of a new tax levy for the mining sector triggered a sharp rebuke from Chile's National Mining Society (Sonami), the mining industries principal lobbying organisation. The proposal was also criticised by the American Chamber of Commerce in Chile.

But one of the proposers, Senator Sergio Bitar of the Party for Democracy, argues that state-owned Codelco pays annual taxes in the order of $1.5bn while private foreign mining operators pay only $200m in taxes a year.

Opponents of the tax claim it would discourage foreign investment not only in mining but in other sectors as well by changing the ground rules "in the middle of the game".

Proponents of the tax note that Chile's copper reserves are slated to run out in 50 years and the tax would be invested to prevent poverty in mining regions once the resource is depleted.

AFRICA • by Mark Ashurst in Johannesburg

The Copperbelt buckles

Zaire and Congo need foreign investment to rescue their mining industries

Rebel forces were still advancing on the Kinshasa stronghold of the late Mobutu Sese Seko when a plane load of American fund managers arrived in the southern town of Lubumbashi, in the former Zaire.

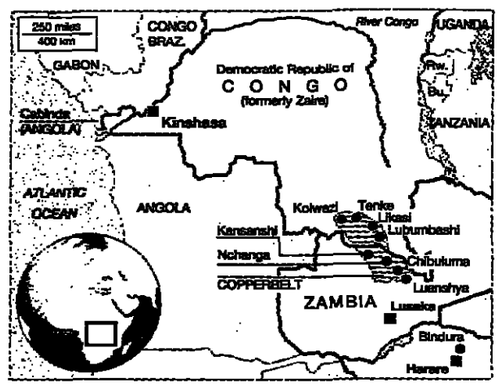
Their arrival - courtesy of American Mineral Fields, the Toronto-listed mining group - was a bold gesture to highlight the potential of regional mining deposits for foreign investors. As financiers listened expectantly for the first radio reports of Mobutu's surrender, soldiers loyal to the country's new president, Laurent Kabila, patrolled the swimming pool of their hotel.

The warm reception extended to international mining houses in the recently renamed Democratic Republic of Congo has buoyed hopes of a recovery on the African Copperbelt. Although foreign interest is not confined to copper, governments in both Kinshasa and the Zambian capital of Lusaka hope foreign investment will rescue a sector which has been dragged to the brink of collapse by political interference, a shortage of capital investment and endemic corruption.

The history of sharply declining production on the Copperbelt, which spans the border between the two countries, illustrates the scale of that ambition. Copper output in Zambia has fallen from a peak of 720,000 tonnes in 1969, when it was the world's fourth biggest copper producer, to 320,000 tonnes in 1996. Zaire last year sold 38,000 tonnes of the metal, compared with a peak of 400,000 tonnes annually during the 1980s.

Among financiers with a stake in the region, optimists abound. Jean Raymond Boulle, chairman of American Mineral Fields and a former executive with de Beers, believes Congo is set to become "the Chile of Africa". AMF was the first of the international mining groups not based in South Africa to voice support for Mr Kabila's rebellion and he contributed to the war effort by buying the rebels' first haul of diamonds in April.

Rival companies followed suit but not before Mr Boulle had clinched a $1bn tender from Gecamines, the state-owned mining group, to develop a copper and cobalt tailings project at Kolwezi and revive the Kipushi zinc mine. He expects Kolwezi to produce about 30,000 tonnes of copper per year, while zinc processing at Kipushi will generate sulphuric acid as a byproduct in sufficient quantities to supply the entire mining industry on the Copperbelt.



Kolwezi is dwarfed by Tenke Fungurume, a copper deposit 175km northwest of Lubumbashi and the largest new mining project in Congo to date. A previous attempt at developing the site faltered in 1970 due to civil unrest. A revival is now being plotted by Tenke Mining, the Canadian company headed by Adolf Lundin, which forecasts annual production of 100,000 tonnes of copper and 8,000 tonnes of cobalt by 2000.

Tenke predicts production could rise to 400,000 tonnes, which would rank Fungurume among the 10 biggest mines in the world. But much will depend on political stability and improvements to the country's dilapidated infrastructure. Congo is rated a "D" grade country for political stability - the lowest on the scale - by Randgold, the South African gold mining group which rates the mining potential for foreign companies of all countries in Africa.

In spite of misgivings over relations between foreign donors and the Harare government, investors are much less worried by the issue of political stability in Zambia. But the sheer dominance of the debt-laden Zambian Consolidated Copper Mines, the state-owned conglomerate which generates 25 per cent of gross national product and traditionally contributes 80-90 per cent of export earnings, has prompted different concerns over the viability of individual projects.

Valentine Chitalu, chief executive of the Zambian Privatisation Agency responsible for privatising ZCCM, believes foreign investment in the Copperbelt could help restore the standard of living in Zambia to a level not seen since the 1960s. But if the process fails to attract sufficient foreign interest, it could scupper hopes of recovery in what remains a virtual monoeconomy.

"If privatisation is not successful, one would question whether this is a country for us to be doing business in," says Jack Holmes, executive director at Anglo American responsible for the Zambian interests of the South African mining giant.

When the first round of bidding for ZCCM assets closed in February, 15 companies had submitted a total of 27 bids for the nine asset packages on sale. But most of the deals to date have been for feasibility studies or peripheral mining contracts. Opinion is divided over the prospects for the process and the ZCCM conglomerate is under mounting pressure to dispose of its best assets on terms which are likely to fall short of previous expectations.

The most important of these are Nchanga, historically the biggest reserve in the ZCCM stable, and Nkana, the largest copper treatment centre. These assets are under offer from Kafue, a consortium led by South Africa's Avmin with Noranda, Phelps Dodge and the Commonwealth Development Corporation. The deal is critical because, until terms are agreed, development work will not begin on the best prospect on the Zambian side of the Copperbelt, Konkola Deep.

A joint venture is underway between Anglo, which holds 27.3 per cent of ZCCM through its subsidiary, Zambia Copper Investments, and Falconridge, the Canadian group, to conduct a feasibility study into a $700m-800m development at Konkola. This virgin deposit is widely viewed as "the crown jewels" of the Copperbelt and is forecast to produce 180,000 tonnes of finished copper annually.

The feasibility study will be completed by the year-end but the consortium has a contractual right to postpone development pending the sale of Nchanga and Nkana. "From a social point of view, if the rest doesn't get privatised that whole area will become unstable economically and politically," says Mr Holmes.

JAPAN • by Kenneth Gooding

Awesome pooling power

Japan's unofficial smelter group has made waves with another mine purchase

The Japanese smelter pool sprang into action again this year by taking a US$256m stake in the Los Pelambres copper project destined to become one of the four biggest copper mines in Chile.

This unofficial grouping is already a potent force in the copper industry. Last year it imported about 1.1m tonnes of copper contained in concentrate, according to the CRU International consultancy, equivalent to more than 10 per cent of the global total.

The pool is not a legal entity, so sometimes the Japanese deny it exists, but the rest of the industry has no doubt that it has for many years played an important role in Japan's economy.

The pool came into being in the 1970s, when it became clear Japan, which has virtually no mineral resources of its own, would be needing huge tonnages of copper. The government decided that the balance of trade would benefit if Japan imported copper concentrates, material containing 20 to 45 per cent copper and therefore much cheaper than refined copper, and upgraded it locally to refined copper.

So, unique among copper producing and consuming countries, Japan has six "custom" copper smelters, or plants that take raw material from outside sources. Japan protects its smelters by having a high tariff on refined copper imports.

Members of the pool and owners of the six copper smelters are: Dowa Mining; Furukawa; Nippon Mining; Mitsubishi Materials; Mitsui Mining & Smelting; and Sumitomo Metal Mining. Sometimes included in the list is Nittetsu, which owns 20 per cent of the Tamano smelter operated by Mitsui.

Most of the time these companies arrange individual deals with suppliers. But when the mine involved is particularly big and important they come together and negotiate as a powerful group, taking it in turns to act as leader.

The big copper mines on the other end of those negotiations include Escondida in Chile, operated by Broken Hill Proprietary of Australia, Freeport Copper & Gold in Indonesia, Cominco's Highland Valley in Canada, and Ok Tedi, another BHP operated mine, in Papua New Guinea.

The pool is now adding Los Pelambres in Chile to the list. Two Japanese consortia agreed in May to buy 40 per cent of the project from Antofagasta Holdings, the UK listed group controlled by Chile's Luksic family, for $256m. Los Pelambres is scheduled to produced about 260,000 tonnes of copper in concentrate, starting in 1999. Two of the Japanese companies have signed up to buy 13.5 per cent of its production for the first 12 years.

One Japanese consortium, including Nippon Mining, Marubeni Corporation and Mitsui, will acquire 25 per cent of Los Pelambres. Mitsubishi Materials Corporation and Mitsubishi Corporation make up the other, which will take 15 per cent.

The copper pool once included on its list of big suppliers the Bougainville mine in Papua New Guinea, owned by Rio Tinto. However, the mine was closed in 1989 after a virtual civil war broke out on Bougainville island.

This unexpected closure caused some consternation in Japan because, having put the custom smelting strategy in place, it was important to the country that no global shortages of copper concentrate should develop.

The pool had a taste of what was possible in 1994 after the collapse of the Soviet Union caused turmoil in the market and concentrate was in short supply. The Japanese smelters had to cut production by 10 per cent.

Some metal traders suggest it was no coincidence that Sumitomo, and its chief copper trader Yasuo Hamanaka, began to make their presence felt in the London Metal Exchange's copper market soon after Bougainville closed.

Some in the industry are convinced that Mr Hamanaka, who was dismissed last year by Sumitomo which accused him of losing $2.6bn in fraudulent trading, was working as much on behalf of the smelter pool as for Sumitomo.

These conspiracy theorists point out that Mr Hamanaka's efforts helped to keep copper prices higher than they otherwise might have been for some time and this encouraged an unprecedented investment by mining companies in new copper capacity, much of it producing the concentrate that is the copper pool's essential raw material.

Some analysts suggest this will result in a big surplus of concentrate in the next few years, a comforting thought for the smelter pool which could, if this surplus comes about, not only have long-term security of supply but also be able to charge top prices as miners compete to use their capacity.

The pool renegotiates terms with the mines annually and contracts include "price participation" clauses which give the smelters extra income if the eventual price received for the refined metal moves above 90 cents a pound ($1,984 a tonne). For every 10 cents a pound above that level, the smelter receives one cent.

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CHINA • by James Harding in Shanghai

Market strains for Chinese whispers

China's impact on the copper industry is as huge as it is unpredictable

China has emerged as an unignorable but unpredictable force in the world copper industry.

Difficult to ignore, because China accounts for roughly 10 per cent of global copper consumption and has become the world's biggest single copper importer, frequently setting the tone on the metals markets. China's importance to the industry and its reputation as the "swing factor" in the market is likely to be reinforced in the coming years as the increasing number of copper producers jostle for contracts to meet China's vast demand for the metal.

But the country's influence will be no less difficult to predict, because the Chinese copper industry is controlled, in theory at least, by the China National Non-Ferrous Metals Corporation (CNNC) - the opaque national monopoly which both provides the price-sensitive information on China's copper demand and manages China's imports and exports of the red metal. Even the estimates drawn from the CNNC figures are likely to be skewed by the interventions of the Strategic Reserve Bureau, the government agency that manages the national stockpile, the size and composition of which is a state secret.

Simon Hunt, an industry analyst, speaks for all China-watchers in the metals markets when he says "the only thing we can be sure about... is that China's statistics of production and consumption are just guesses, some better than others."

Forecasting China's import demands and, therefore, likely long-term impact on the international copper markets, is a hazardous business but the fact that China will hold a singularly powerful sway over world copper prices, even in the face of increasing global supply, remains a safe bet.

As China's economy is forecast to grow at an average of 8 per cent per year between now and 2000, copper consumption is widely expected to grow faster than the steady increase in domestic output. Even as new smelting and refining capacity comes onstream over the next five years, it is likely to exceed China's mining capacity, driving further demand for imports of concentrate, blister and scrap.

Official forecasts vary, but an official at Jiangxi Copper, China's largest copper producer, says that "according to our estimates, in the coming few years, China will lack 200,000 to 300,000 tonnes of copper a year."

Richard Osborne, chairman of Asarco, the US group with a strong reputation for forecasting conditions in the world copper markets, is sanguine about copper's fundamentals over the next three or four years, an attitude underpinned by a bullish view of Chinese demand.

"Chinese consumption will increase by more than 10 per cent a year through 2000," he predicts.

Jim Lennon, an analyst at Macquarie, the Australian banking group, gives an even more robust forecast - he calculates that China's demand for copper could show sustainable annual growth of 12.5 per cent.

But while there is broad agreement among analysts that China will need to buy large quantities of copper on the international markets over the next five years to satisfy the vast demands of its infrastructure and construction programme, traders on the London Metal Exchange and elsewhere have been waiting in vain this year for China to bite.

In the early part of the year, copper prices were buoyed by the expectation of heavy Chinese buying but prices sank when the CNNC bids failed to materialise. Again, over the summer, traders looked to China buyers to lift sagging world copper prices but Beijing's buyers stayed away.

The official explanation for China's lower-than-expected purchases on the international markets is slack domestic demand.

The China Securities News, the official government newspaper for the financial markets, says "many copper consuming businesses are suffering severe losses, weighed down by large stockpiles, low efficiency, outdated equipment, old production systems and inadequate marketing. The imbalance between supply and demand is being exaggerated. And there is no reason to be optimistic."

Local and international copper traders in Shanghai acknowledge the real problem of slack demand but are still only partially convinced by the official line - they still speculate that the CNNC is poised for substantial copper buying but is waiting for the right price.



China syndrome: No one is sure but copper producers are backing Chinese demand to rise dramatically Sarah Murray

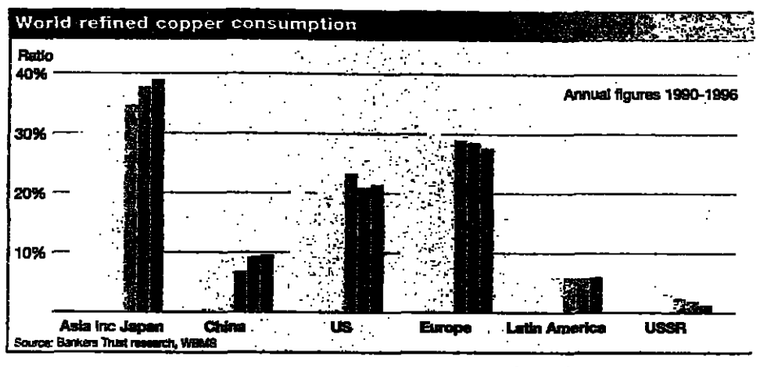
The announcement in July that China would export 8,000-10,000 tonnes of copper to the LME warehouse in Singapore prompted a round of speculation that the CNNC was manoeuvring to damp expectations of China's appetite for copper imports, depress market sentiment and drive down prices. CNNC made a point of telling the official media that it was not "playing games on the world market".

Mr Hunt sympathises with this official line, arguing that China's large number of small copper refineries, many fed by scrap and outside the state sector, make life a "nightmare for the statisticians in central government".

Other analysts are less forgiving. They say that the CNNC could give more accurate information about the state of supply and demand in China but that would weaken its hand when trading on the LME.

Over the past year, CNNC officials have repeatedly suggested that China will need to change its trading methods in the copper industry, moving away from sudden, large-scale buying as and when the need arises or the prices look favourable to a pattern of trading with a "long-term outlook".

But traders have yet to see evidence of such consistency, or even, transparency. And while CNNC authorities either deliberately obscure information about their activities in the copper markets or are simply unable to collect all the relevant data from the country's large, but fractured copper industry - or both - China will remain a perplexing player in the copper industry.



LONDON METAL EXCHANGE • by Gary Mead

Exchange of copper bottomed guarantees

Reform aimed at transparency was the LME's response to the Sumitomo affair

As chief executive of the London Metal Exchange David King has been under considerable pressure since the great copper scandal of mid-1996 first broke.

On June 13 that year Mr King attended a late-night meeting with the Securities and Investments Board, the exchange's regulatory body, for discussions on what had happened at Sumitomo Corporation. Sumitomo had just sacked its chief copper trader, Yasuo Hamanaka, for having allegedly lost $2.6bn in unauthorised trading. The LME was rapidly embroiled in the ensuing furore, with King bearing much of the brunt of the criticism levelled at the LME's administration of trading.

Mr King has argued – with strong justification – that the spotlight on the LME in the wake of Sumitomo was misdirected. Sumitomo, after all, was not an LME member and was outside the LME's – and the Securities and Investments Board's – jurisdiction.

Nevertheless, the LME invited the SIB to review its operations and the global metals markets and, in December 1996, the SIB published its conclusions.

The SIB's highly detailed report called for substantial changes in the operations of the LME but endorsed its trading methods and rejected calls, particularly from the rival New York Mercantile Exchange, for wide-ranging reform.

In May this year Mr King said that "the SIB report... identified no significant systemic risks from the way the LME operates... the SIB concluded that the London Metal Exchange, and its trading systems, continue to enjoy the support of LME users."

But the copper upheaval focused minds on reform of the LME and Mr King threw his weight behind implementing the SIB's proposals. The complex regulatory changes have a single focus – ensuring the LME operates as transparent a market as is compatible with commercial viability.

One of the SIB's key proposals was that the balance of the LME's board should alter to better represent the exchange's different members. The board has also to be expanded from 16 to 18 to include more independent directors.

Another key SIB recommendation was to expand the LME's executive, to cope with the vast quantities of information accumulated daily by the exchange. The LME is thus increasing its executive by 10, to about 50 people. "These additional staff will be recruited primarily for the compliance area and will be at a very senior level," says Mr King.

Other SIB recommendations have already been implemented, including a daily (as opposed to weekly) reporting of LME warehouse stocks. From October 1 details of stocks taken off LME warrants (the paper proving ownership of physical metal) but still in authorised warehouses will be given daily.

Also from October, data on the 20,000 screens around the world giving LME statistics will include details of large positions. Mr King says individual names will not be given but market users will have fair warning about large positions.

Procedures aimed at providing a more rigorous audit trail are being introduced. Video cameras and sound equipment are being installed on the floor of the exchange.

"There is a good, clear audit trail in back offices and we want to carry this through to the ring. This should give additional comfort to market participants," says Mr King.

The LME is also addressing the problems in its warehouse system identified by the SIB. Contracts with warehouses will be restructured.

Other procedures aimed at providing a more rigorous audit trail will soon follow, including improved mechanisms to follow the movement of warrants (the paper proving physical ownership of LME metal stocks) to establish more precisely who owns what metal.

And Mr King says the LME is considering imitating some US regulatory practices used by the Commodity Futures Trading Commission. "While we already operate a large position reporting system, we will probably develop a hybrid of the CFTC's requirement that all large positions in a market must be reported and we will publish certain data in regard to such positions."

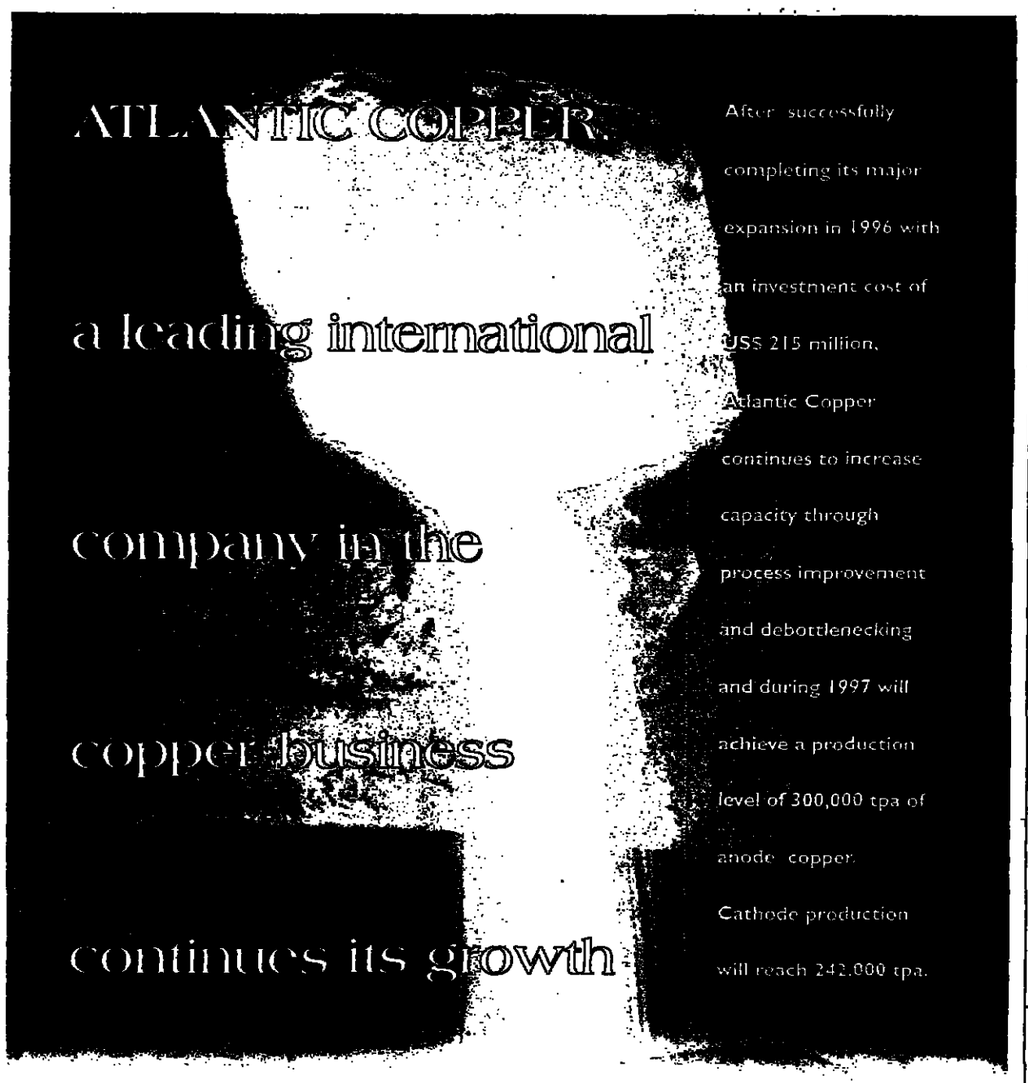
But while transparency is obviously important, both as a reassurance to users of the LME and to the regulatory authorities, Mr King is concerned that transparency is not gained at the expense of commercial viability.

"It's in no-one's interest to have such excessive transparency that business will flee the market, reducing liquidity and increasing volatility. More seriously, business that left the LME would be transacted on the unregulated market, meaning the authorities would be even less able to police it," he says.

Mr King's promise is that the LME "will provide significantly more data to market participants in order that our members and their clients have greater knowledge of what is happening in the market."

Ultimately there will always be those determined to exploit fundamental tightnesses; only in July this year Mr King found it necessary to remind LME copper traders that his executive was watching yet another squeeze very closely.

But Mr King – a cautious man by nature – firmly believes that major warping of the market is less likely to be repeated.



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